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EDITOR: SHAHID QADIR

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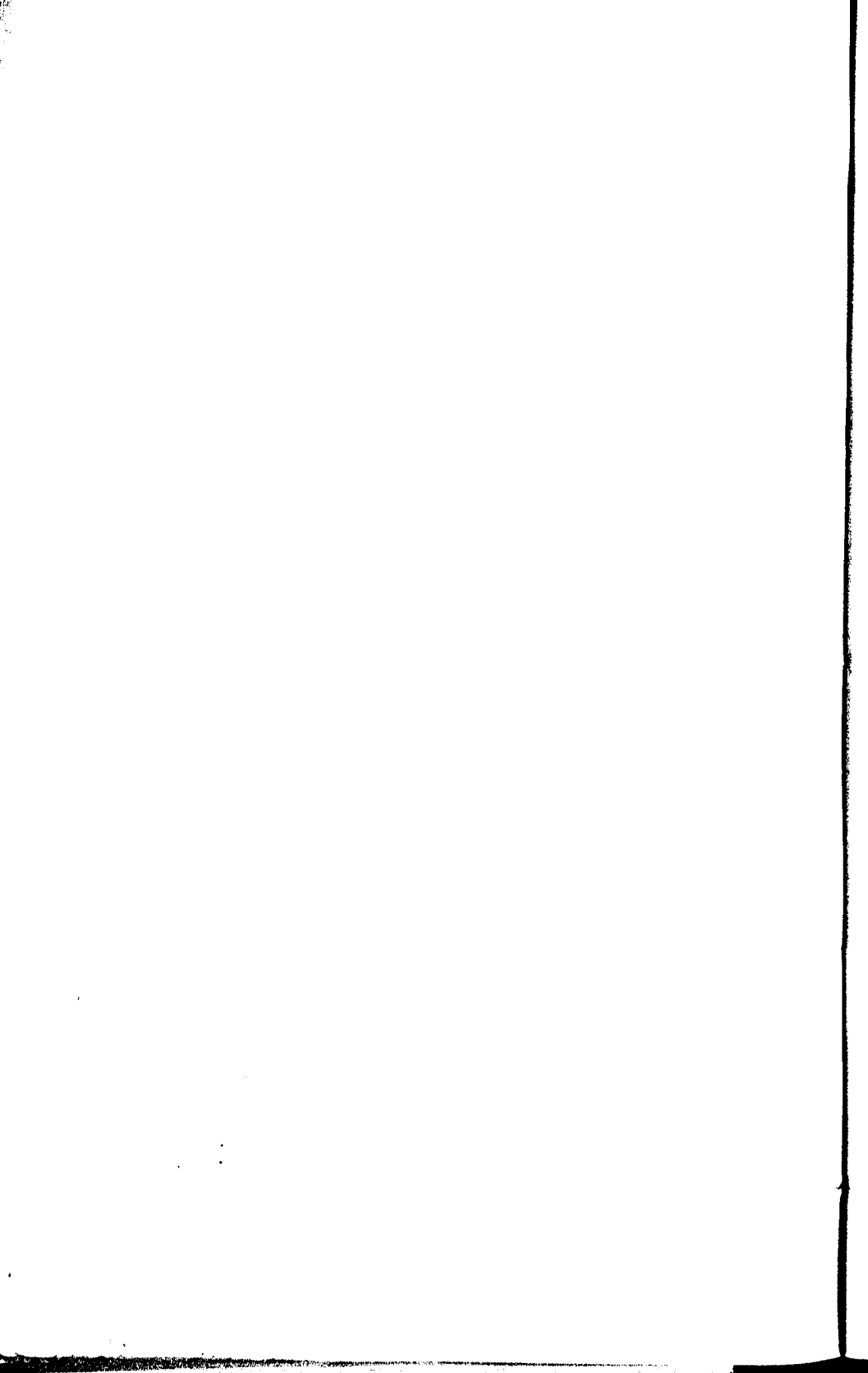
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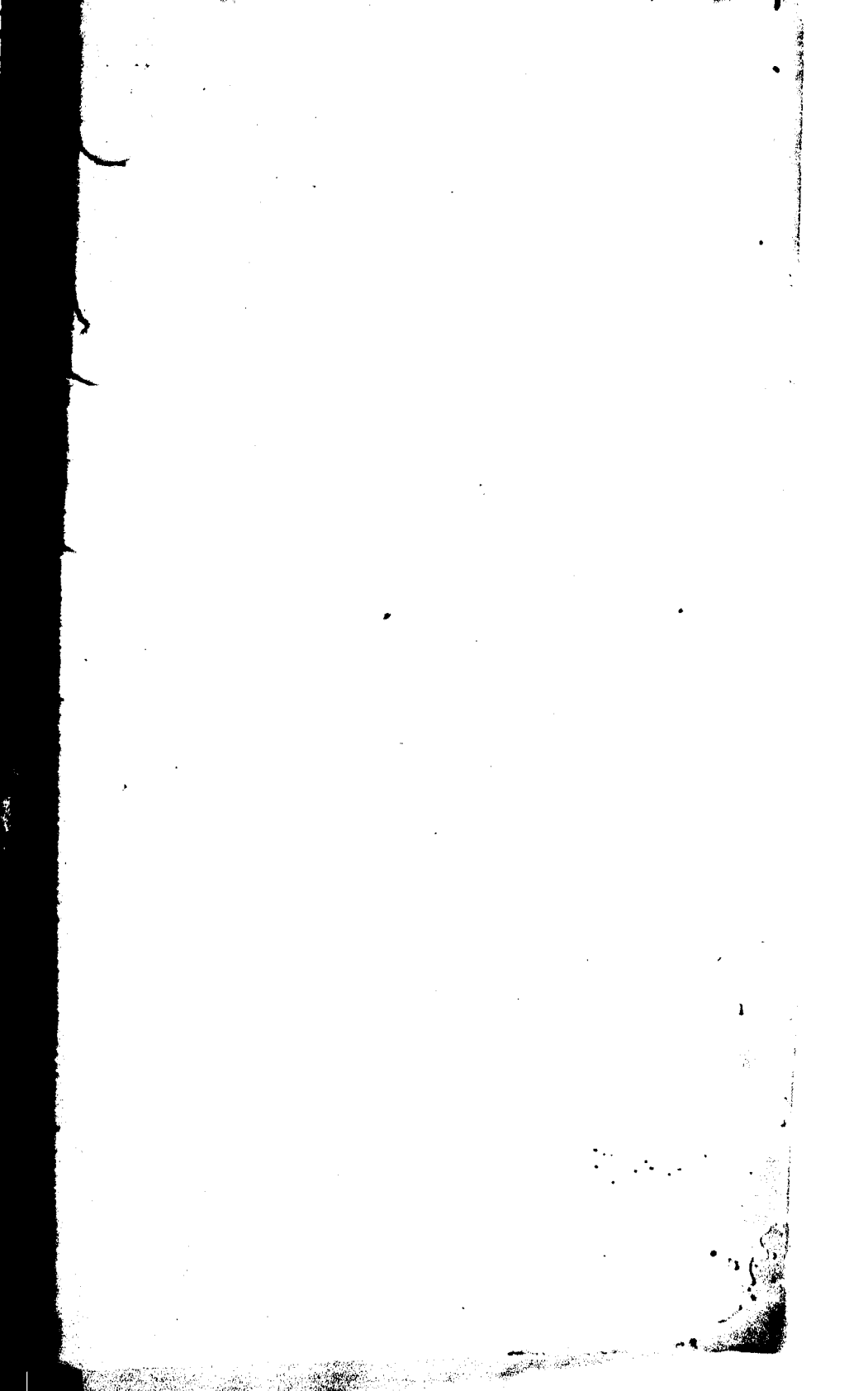
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but to the sheer complexity of some of their recommendations. The Arndt report proposed a startling package, involving at least three central banks, to recycle petro-dollars—through deutschmarks or yen—to US bonds, to the IMF and, through the IMF, the on-lending of dollars to developing countries. In a way, the Arndt effort is the most ingenious and creative of the reports. Moreover, it is fair to say that it synthesised a great deal of thought which was then current about liquidity flows, particularly OPEC dollar liquidity, to the Third World. But much of that thought was convoluted precisely because there were obstacles that seemed immovable; the effort of thought was to snake around those obstacles; the more ingenious the circumvention, the more it seemed a solution was possible but, in real terms, the obstacles remained.

The two most impressive reports have been the Cairncross effort—not because of its impact on protectionism, but because of its professionalism, its obvious deep grounding in its subject, evidenced in its command and presentation of source material, and helped not a little by the specific nature of its subject and the character of its chairman—and the Akporode Clark report.

But, with the Akporode Clark report there are certain problems. In part, it seems a reflection of some of Ramphal's thought; the recommendations for a Third World secretariat echo the Secretary-General's speeches and interviews over preceding years.²² Such a secretariat, however, is not Akporode Clark's main theme. The report's main emphases are parallel to those of a study conducted at about the same time by two American academics.²³ Both the expert group and the two academics are convinced that their recommendations, which were warmly welcomed in North-Western quarters, would advance the cause of the South. Indeed, the South may (probably, will) have no choice but to adjust its negotiating policy in line with these recommendations, but it faces numerous dangers in doing so. The principal danger is the end to an identifiable 'South', the fragmentation of the Third World into competing and opportunistic mini-blocs. Certain Southern countries, probably those already in a relatively strong position, may benefit from the new approach, but Third World unity may disappear. Here, an irony intrudes: the expert group reports were conceived, either fully at the beginning, or gradually, after the reception of the first few, as implicating the Commonwealth in the quest for an NIEO—albeit in a fashion that could not alarm its Northern members. With Akporode Clark, the report most welcomed by the Northerners, the quest has been, at best, sub-divided, and, at worst, turned to the reduction and division of the questing body.

It is not the concept of incremental negotiations that is dangerous, but the concept of incrementalism that is not global. That is, nations are encouraged to

²² Shridath Ramphal, *One World to Share*, London, Hutchinson Benham, 1979, pp 180–201 and p 172.

²³ John W Sewell and I William Zartman, 'Global negotiations: path to the future or deadend street?', *Third World Quarterly* 6(2) (1984).

agencies, the World Bank and the IMF, whose collective mandate is promoting development and the expansion of world trade. The World Bank's lending to developing countries has actually fallen and there may even be a negative net transfer from developing countries to the Bank by the end of the decade. The IMF, whose prescriptions have become synonymous with recession and whose role has become simply to see that developing countries balance their budgets and service their debt, was actually set up to promote, not stifle, world trade. The SDR, which was meant to become the world's reserve asset, has declined rather than gained in importance and the IMF has been unable to exercise any effective surveillance over the most influential members of the international community—the industrial countries—because they have not had to have recourse to it for funds. The fundamental question remains, does the system need reform? If world trade is falling, protectionism is increasing, and the developing countries need more liquidity than is available in the global system, what has happened? Have the agencies which were meant to promote these objectives been corrupted or has the system developed a chronic malady?

Nineteen eighty-five began with great promise of an agenda of dialogue and reform. The April 1985 meetings of the IMF Interim Committee and the IMF/World Bank Development Committee made even the Santo Domingo meeting of Latin America debtors wait to see what would emerge. Donald Regan had described the purpose of the meeting as arriving at a common analysis of finance, debt and trade issues. Even though the April meetings were not themselves negotiations they could have created the modalities and the agenda for future negotiations between the North and South. They could have signalled a move toward the conference of creditors and debtors which the Latin Americans had been calling for since the first debtors' summit in Quito. What emerged from the April meetings was that none of the proposals put forward by the Third World through the Group of 24 (which would have meant a genuine alleviation of the problems they face) had been accepted: there would be no new allocation of Special Drawing Rights and the proposal to create an interest subsidy account in the IMF was rejected. However, the developing countries were urged to accept the creation of a Multilateral Investment Guarantee Agency (MIGA)¹ which would provide political risk insurance for foreign investors.

¹ See Ibrahim F I Shihata, 'The New proposals for establishing a Multilateral Investment Guarantee Agency', *Third World Quarterly* 7(2) April 1985, pp 365–89.

The refusal of the developing country proposals expressed the deep disagreement between the industrial countries and the developing world on whose needs the international economic system is meant to serve and what its objectives are. On that disagreement hinges the lack of recognition by the North of the need for reform of this system.

By May the Latin American leaders were performing their annual ritual of writing to the Western Economic Summit in Bonn. They had once more to reiterate: there had to be an acknowledgment of joint responsibility for the debt crisis and a recognition that their economies and societies were bleeding to death in trying to service their debts at the cost of growth and development. There had to be a meeting between governments as sovereign states to discuss this, not just meetings between debtors and bankers. This was a political problem which needed political solutions, only technical problems could be discussed with bankers.

The industrial countries replied to the Latin Americans' letter at the Tokyo meeting in June of the Group of 10: the international monetary system remained valid and required no major institutional change, therefore no conference to discuss reform was necessary. The finance ministers and central bank governors of the Group of 10² endorsed the report of the deputies who had been mandated after the Williamsburg Summit of 1983 to report on whether the international monetary system was working satisfactorily and whether President Mitterrand's proposal for a conference to discuss a return to a regime of fixed exchange rates was needed. At the Tokyo meeting the US pointed out that there was no shortage of world liquidity overall, the problem was that some countries did not have enough money. Countries could obtain reserves from financial markets provided they maintained their creditworthiness which was largely a function of their own domestic policies and performance. The terms on which reserves are supplied by the markets reflect the borrowers' own policies and performance and the preponderance of market-supplied international liquidity made it even more important to pursue sound domestic policies in order to safeguard creditworthiness. Improvements in the provision of international liquidity need not be sought through fundamental changes in the system. There was disagreement among the Group of 10 delegates as to whether a new allocation of SDRs was called for. Some pointed out that

² The original members of the G10 are Belgium, Britain, Canada, France, West Germany, Italy, Japan, The Netherlands, Sweden and the US. Switzerland became the eleventh member in 1984.

severe strains in liquidity conditions had built up in the system and were reflected in the decline of reserves in relation to imports and foreign debt and the rise of barter trade. But the other way of looking at these strains is that the difficulties are primarily an indication of the lack of creditworthiness of certain countries and were not related to a general shortage of liquidity. Doesn't the long-term growth of trade have to be supported by an expansion of international reserves? The answer to that was that international financial markets and official channels provided *adequate means of meeting this need and a new SDR allocation* would result in unnecessary and excessive liquidity creation.

The industrial countries were concerned to preserve the monetary character of the IMF and on no account to allow its role to be confused with that of a developed finance institution. The World Bank and the IMF should cooperate to ensure that their financing programmes were comprehensive and provided consistent policy advice. Why? Because this would enhance prospects for increasing private investment flows to developing countries. The conditionality of World Bank lending should not be weakened and it should be more active in encouraging external finance.

However, what had hurt industrial countries was the lack of coordination between their economies, which primarily meant that the US had been more than indifferent about the effects of its budget deficit and the strength of the dollar on other OECD economies. If that could be ironed out they would have the rest of the world well and truly by its throat.

Since the Group of 10 had declared the system to be healthy, the Group of 24 counter-reported on its maladies which were becoming chronic and harming developing countries most. The G24 report addressed the problems of debt and the transfer of resources to developing countries (which the G10 had significantly omitted from its consideration) because no meaningful improvement of the international monetary system is possible without their solution.

The IMF's surveillance, the G24 wrote, had so far been largely ineffective on major industrial countries resulting in asymmetry in the international adjustment process, the burden of which had fallen disproportionately on developing countries. Why couldn't the IMF effectively influence the policies of industrial countries in a manner that would be supportive of growth, particularly in the developing countries? For the developing countries the IMF was now meant to be exercising 'enhanced surveillance', which was further evidence of

creditors' unwillingness to restore normal access to external financing despite significant adjustment efforts.

The creation and management of liquidity in the past decade had been unsatisfactory. Its supply had been uneven and grossly inadequate for developing countries. Commercial bank lending was unreliable as a source of liquidity as was evident by its recent contraction. The conditions of supply of international liquidity and its distribution were more important than the world aggregate reserve holdings.

The G24 called for an annual allocation of no less than SDR 15 billion to help to relieve the stringency in the reserve position of a large number of developing countries, to promote recovery without being inflationary, and to improve the balance between conditional and unconditional liquidity. Inadequate financing with high conditionality would correct neither transitory nor persistent payments imbalances nor would it lead to a correction of persistent payments imbalances.

The developing countries feared that coordination between the Bank and Fund would lead to cross-conditionality and become a means of exerting concerted pressure on the borrowing countries.

The resource base of multilateral financial institutions had to be increased and their total votes raised to 50 per cent from the 38 per cent they exercised at present. The G24 felt that an effective reform of the international monetary and financial system required the convening of an international conference.

Despite the fact that it has become clear how divergent are the views of the North and South on the subject of monetary reform are, where there is a willingness to hope we can always go on waiting for the outcome of yet another meeting, of the recommendations of a group of eminent persons, or for the initiative of the Treasury Secretary of the world's most powerful economy. And so it came to pass that all the bankers gathered for the annual meeting of the World Bank and the IMF in Seoul waited breathlessly for the 'Baker Plan'. How much of a breakthrough that would be had been presaged by the events and statements of the major industrial countries earlier in the year.

Baker's plan is that commercial banks should make new loans to middle-income developing countries of \$20 billion over the next three years. He also called for a 50 per cent increase in lending by the World Bank and the Inter-American Development Bank to produce total flows from these institutions of \$9 billion over the period 1986-88. But the debtors had to adopt comprehensive macroeconomic structural adjustment policies to promote growth and balance-of-payments

adjustments and to reduce inflation. The IMF would continue to play a central role complemented by increased and more effective structural adjustment lending by the major development banks. The increased lending by commercial banks would be made in support of the adoption by principal debtors of market-orientated policies for growth. There was more than one report from Seoul of US bankers saying that 'pariah nations such as Peru', who have dared to say they will decide what level of debt service they can afford, should be cut off from both official and private finance. Obviously, economic sovereignty for developing countries is no part of the new deal. Baker's 'Programme for Sustained Growth' did not, he emphasised, depart from the case-by-case debt strategy adopted three years ago. This approach 'had served us well, we would continue to follow it'. Baker wanted to see the banking community make a pledge to provide these amounts of new lending. Bankers meeting under the aegis of the Institute of International Finance broadly endorsed the Baker initiative.

But what lending effort are the banks being asked to make? They are expected to make a mere 2.5 to 3 per cent annual increase in their outstanding loans and then only to those debtors who persevere with adjustment measures as opposed to the 6 per cent increase which the Bank, the Fund and even the bankers themselves feel is the minimum required by developing country debtors. What the developing countries will get in return are even longer adjustment programmes and 'enhanced surveillance' by the Fund.

Sub-Saharan Africa is not about to attain creditworthiness, in the market sense of the term, perhaps not even until the end of this century. Of course, the market may be interested in investing there on terms which are not to the benefit of the majority of the people in the host country. Part of the campaign for developing countries to 'open up their economies' is to urge, or not too subtly coerce, them to place less restrictions on foreign private investment and consequently care less about the social and economic effects of that investment. What the industrial countries have signalled is, 'The system works just fine because it works so well for us.' The developing countries have to understand that signal for what it is—no dialogue, no reform. As Mexico picks up the pieces of devastation after its earthquake and Tanzania worries about how many month's worth of imports it has reserves for, Alan García's stance seems more like commonsense than bravado. If what we fear most is the loss of a credit rating which we cannot hope to achieve even at the cost of the welfare of our people,

shouldn't we be beyond fearing the system. Isn't it time for a reassessment which asks—why are we playing the game by the rules when the rules are such that we always lose? If there isn't going to be a process by which the rules can be changed isn't it time that we set our own rules? After all, what does a 'pariah state' stand to lose except the illusion of credit?

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Mahathir Mohamad

Datuk Seri Dr Mahathir Mohamad is the Prime Minister of Malaysia and the Minister of Defence. He was born on 20 December 1925, in Alor Star, the capital of the state of Kedah, where he received his early education. He began medical studies in 1947, at the former University of Malaya, in Singapore (now the University of Singapore).

He became active in politics in 1945, eventually becoming a member of the Supreme Council of the United Malay National Organisation (UMNO) from 1965–9. He entered Parliament as an Alliance candidate from 1964–9 and, after a brief term of office as a Senator in 1973, was re-elected to Parliament as a National Front candidate, in 1974. In the same year, he was appointed Minister of Education in the first National Front Government, and held successive posts in education. From 1976–81 he was deputy Prime Minister, and from 1978–81, Minister of Trade and Industry. In July 1981, he became the fourth Prime Minister of Malaysia, and the Minister of Defence.

He is the author of The Malay Dilemma (1969).

Altaf Gauhar interviewed Mahathir Mohamad in Kuala Lumpur in August 1985.

AG: *The question to which we are all looking for answers is how to bring about change, which is really a problem of leadership. We want to know how to initiate the process of social change to create an environment in which people have access to opportunities and to develop their potential. In your Trinity College lecture in April 1985, you said that the world is divided into three types of societies: ultra-stable, ultra-unstable, and societies transfixed in conditions of potential instability. You then went on to describe the tasks of leaders in dealing with the problem of change in these three societies. Can you elaborate on these ideas, and how they apply to the Third World?*

MAHATHIR: Quite obviously, the most desirable society is a stable society and the task of leadership is to strive for that. This involves trade-offs and compromise. One of the things we often say in Malaysia is that the country is doing well if everyone is unhappy. It is a contradiction in terms but it follows from the fact that we have three different communities in Malaysia. Fundamentally, our problem is

that of racial animosity. If we satisfy just one community 100 per cent, that community will be happy but the other two will be unhappy. So what we are struggling to do is to see that everyone gets something but no one gets everything. If you asked people in Malaysia whether they were happy, you would find that the Malays are not happy, the Chinese are not happy and the Indians are not happy. To us this is fine because it shows that the government has been fair to all, and that leads to stability. It is a very strange approach but there is no way we can satisfy everybody. That is something that we have to accept. So we don't try to satisfy everybody and that has resulted in a degree of stability. The task of leadership is to get a balance, and to maintain that. Where unstable societies have problems is when the attempt is made to completely satisfy one society, one group, as in Lebanon and Northern Ireland. Or in certain African countries, where tribalism is manifest; if you try to satisfy one tribe, you will have a lot of other dissatisfied tribes. That is what happened to Milton Obote. But if we accept the fact that we cannot satisfy everyone and we tell the people that sorry, we are not going to satisfy all, we eventually get them to accept the situation.

AG: *Prime Minister, this is a very special definition of stability where everyone is equally unhappy; the examples you give are really extreme examples, and not ones of successful societies. I was thinking of a level of stability that exists, say, in most societies in Europe, the US or Canada, where everybody is not equally unhappy. Everyone has problems but also a sense of freedom and participation. They too have disparities but there is no sense of deprivation. Malaysia itself is an exceptional case that has achieved a level of stability. I personally do not think that it is a level of equal unhappiness. I think it is a level of a great deal of satisfaction achieved in a multi-racial society. Moreover, you have solved the greatest problem which no other Muslim country has solved: the problem of succession and transfer of power. What I was hoping was that you could look at the problem in the Third World as a whole, whether you think that the system of gradual reform is a possibility or whether the only possibility is that of fundamental change?*

AHATHIR: Frankly, I do not believe very much in systems or the devising of a system as an approach to solving different problems. It is the attitude of a community that counts most. We have been devising through the ages different systems concerned with absolute power over life and death. At the very beginning these evolved into the feudal system. Then they changed into democratic systems. We have all kinds of varieties of democracy. We have even gone so far as to have the dictatorship of the proletariat as you find in the Soviet Union or in China, where the workers or peasants are supposed to be supreme. These are changes in systems arising out of the perception that there is an inherent goodness in a certain system. But democracy does not necessarily make people any happier. Even in a democratic society there must be limitations to one's freedom. But do you accept that limitation or not? And then we come back to people's basic attitudes. If you accept a situation, you can be happy.

The problem in trying to change systems is that you can keep on changing a system but basically you are dissatisfied with whatever becomes established. You want to go against the establishment. Why is there so much terrorism now? Because the annual blood-letting—the twenty-five years blood-letting—has been stopped and people must go around killing. Had these people gone to war I think they would be happier because they have this urge to be violent. If you stop this outlet it results in other things. It is not the system that is at fault. I don't see what's wrong with the system in Europe where everybody has his rights, and yet we have terrorism in Europe, and dissatisfaction and unhappiness.

AG: *Prime Minister, you mention terrorism, you mention the acceptance of limitations, that if people accepted these, there would be a kind of stable arrangement. When people move out of systems which have been stabilised, which people had accepted, deep down human nature was revolting against the fact that the limitations—whether or not you call them limitations of law—were not yet universal. It is when the laws themselves, i.e. the limitations themselves, are iniquitous that you get this problem of reform and revolution. Iran had a revolution because the Shah's laws, which on paper appeared*

universally applicable, were in fact not so, and the people resented this. Iran was a very stable society in 1977-8. No specialist forecast that the Shah's regime would be toppled. Terrorism in Lebanon exists because the laws are iniquitous. A young girl who goes and kills herself on a suicide mission is not satisfying the blood-letting urge. So we have to be very careful about this whole problem. What is happening in the Third World today, what is happening in my own country Pakistan, for example, which is under military rule, is the perpetuation of iniquitous systems and laws. If you are a military officer you belong to a different world; if you are not a military officer, you belong to a completely subservient world. Why is it that out of 126 Third World countries there are only four or five countries, including Malaysia, that have established a system of democratic participation?

MAHATHIR: Different countries are at different stages of development. In terms of culture they are not the same. Their thinking and values are different. So you cannot apply the values of one society to another. But there is a threshold beyond which you must not go. Society will tolerate certain iniquities but if it becomes too obvious as in the case of the Shah, then there is a backlash. So the important thing is to assess what the threshold is and not to go beyond that. Some people do not seem to realise that they have gone past the threshold. Even we in Malaysia have been talking about it. To warn people not to take things for granted. But some people can be completely blind to the threshold. The Shah was completely blind because he was fed all the wrong information. He felt he was popular. Either he didn't realise his unpopularity or he felt at least that he could cope. If you can recognise the threshold and avoid going beyond it, societies can remain stable. It requires in some cases the strength of tradition and in some, political skill. Take the developing countries. Many of them suddenly became independent, without any preparation, as compared with Europe, which had been through a process lasting hundreds of years. You have these countries where people were denied sovereignty and suddenly they acquired full authority. It is very destabilising for a person. Even in Malaysia, in the state of Sabah, for example, a frontier state, where people who had never had

authority were suddenly given authority. And they thought that with this authority they could use the state's money. They thought they were above the law. We've tried to tell them: 'Look, you're not above the law. If you do something wrong, you will be apprehended.' But they feel that 'I am a Minister, therefore, I can do what I like'. I had a number of them complain to me: 'I'm an MP and the Customs had the cheek to examine my things'. This is their attitude. So it takes time for them to change. This is a major part of the problem of Africa especially, where from having nothing, they were suddenly pushed into a situation where they had absolute power. That becomes very destabilising.

We, on the other hand, gained independence by a gradual process of negotiations. And most of Malaysia was never really a colony. Kedah, for example, was under British rule only from 1911, and became independent in 1957. So it was 'under' the British for less than fifty years. Before that, we were ruling ourselves. Even during the British period, when they practised 'indirect rule' we were still ruling ourselves internally. So it was much easier for us to cope. But in many countries where the district officers, the district commissioners and the district residents were all foreigners, suddenly you find somebody who was maybe a sergeant in the army becoming the head of government. How is he going to deal with the affairs of state? I don't think he can.

AG: *You observed that there are fortuitous circumstances that can help. It could be political skill, a charismatic leader or a combination of circumstances. You yourself have been part of change as well as an agent of change. In 1957, you started with an extremely complex situation. What were the factors that helped you evolve the national consensus that has produced a relatively stable society?*

MAHATHIR: Well, having been under the Japanese for several years we began to feel that if the Japanese could replace the British, so could we. The aura of mystery around the Europeans disappeared and made us feel more equal to the task of running the country ourselves. Next we did have people experienced in government. Tunku Abdul Rahman, our first Prime Minister, was a public prosecutor at that time, experienced in law. It was nothing new for him to be

hobnobbing with European officials in the country, and they were no mystery to him. So he was able to speak to them on equal terms, at least on a man-to-man basis. He saw it was possible to carry out the struggle without resort to arms and the consequent claims that would come from people who had made sacrifices. So we had nobody who could say: 'I made the greatest sacrifices, so I must be given a position'.

In Malaysia we were very fortunate, and we learned from this experience that stability is an important commodity for everybody. After independence, we did not become ultra-nationalist; we did not nationalise foreign property, for example. We eventually acquired such property but we paid for it. Although there was nationalism, it was not of the extreme brand, probably because we did not have to fight. The British didn't resist that much. But in other places where the British resisted and they had to fight, then of course claims were made by people on the basis of their sacrifices. Whether they were qualified to rule did not really matter to them. Since they fought, and risked their lives they wanted a place for themselves in the new order.

AG: *How were Malaysia's three ethnic groups—two of which are not really indigenous—able to arrive at a minimum consensus framework? Was that also the result of the experience of the Japanese occupation, or was it leadership in the three groups?*

MAHATHIR: No, not experience during the Japanese occupation. Partly it was the British who made it very clear that we would not get independence if there was going to be bloodshed in the Indonesian style. So our approach was to have an understanding between the races that we would work together. Of course, there were people who opposed this but the majority agreed to forget, for the time being, their own claims in the greater national interest. And that led to the formation of the Alliance Party.

AG: *That was precisely the attitude the British took in the 1940s toward India. They said: 'Look, you sort out your differences. We don't want partition; if you form a coalition it would be easier'. But the Indians could not evolve that consensus and agreed on the partition of the country. What*

were the special factors which facilitated the evolution of a consensus in Malaysia?

IAHATHIR: I think next to the British, I would put it to the personality of the Tunku. He was not a Gandhi, but he had the respect of all three communities. Moreover, his position was so strong that he was able to carry his opinion through. There were a lot of extremists among all the races but they could not muster enough support for themselves. The Tunku was too powerful and he insisted that we should work together. And he proved to be right. In 1955 when we had elections in Kuala Lumpur, the Alliance under Tunku won for the first time and swept everybody out. From then onwards nobody voted against him. The idea of independence even under those terms was much more attractive than continuing to be part of the British Empire with no independence, even though the British called the Malays 'the indigenous people' or 'sons of the soil'. Tunku's personality carried us through. Now, of course, nobody talks about this philosophy, but I think basically the Alliance philosophy is still very much BN's (Barisan Nasional) philosophy and the Tunku's philosophy. Even I, who at one time rebelled against him, accepted that his approach was right. Where I disagreed with him was when he decided that all the Malays wanted was to become government servants and all the Chinese wanted was to become businessmen. I disputed that. I felt the Chinese and the Malays both wanted to become government servants and businessmen as well. He said there was no conflict and there was harmony. I said there was no harmony. This is what I wrote in the *Malay Dilemma* but Tunku would not hear it. He was by then so far removed that he could not hear the rumblings on the ground. I did not want the Malays to have everything. I was for sharing provided it was equitable sharing. So we evolved the New Economic Policy, the thrust of which was to eradicate poverty regardless of race and to redistribute wealth on a more equitable basis between the different races.

AG: *Have these results been achieved?*

IAHATHIR: I think we've made considerable progress. It was a very difficult situation. The Malays had 1 per cent of corporate

ownership, the Chinese 40 per cent and we had to work our way up.

AG: *Is it true that the result of the NEP is a Malay society that is dominated by a handful of retired officers and politicians who had monopolised most company directorships?*

MAHATHIR: That is the conventional view. But if you make a real study, the NEP is not just a question of company ownership. It also provides opportunities for education. We have sent abroad at any one time roughly 20,000 Malays to study. Even if it were assumed that only the rich Malays get this benefit then I would be happy. If there are 20,000 such Malay children of rich families, then we must have succeeded in enriching many Malays, not just a few! But, in fact, they were children of poor families from kampungs (villages). We're bringing up the poor. There are literally hundreds of thousands of people who've benefited, not just a few rich Malays. The Malay man who has opened a small retail shop in the village is a beneficiary. You can't expect everyone to become a multi-millionaire.

AG: *Do you feel the NEP targets will be largely achieved by 1990?*

MAHATHIR: Maybe a little later, but we will achieve the targets. The fact that we've achieved an 18 per cent Malay share in corporate wealth is a remarkable figure.

AG: *Do you feel that the consensus which Malaysia has evolved will hold and all three communities will come to think of themselves as Malaysians first? Do you think this likely, say, in the next ten years?*

MAHATHIR: Not in the next ten years. It will take time, but eventually it is bound to happen. Already, for example, we see in the schools that often Chinese students speak better Malay and achieve better exam results, even in Islamic Studies, than Malay boys. The problem is how do we deal with the situation because we don't have the excuse of the Malay-non-Malay now. The people are beginning to come together.

AG: *Is this also true of the Indian community?*

MAHATHIR: Yes, the Indian community can speak Malay very well. You see Indian news readers on TV; one Bengali news reader speaks better Malay than some Malays. A lot of them speak Malay and all the TV interviews are now in Malay.

AG: *Are you concerned about growing complaints and frustrations among the Chinese and the Indian community?*

MAHATHIR: Well, let's take more homogenous societies such as Korea, Taiwan or Singapore, where there are similar frustrations or complaints though not for the same things. In Singapore they should be very happy. The Chinese are dominant, but many Chinese are not happy. So happiness is not caused by one or two factors. I would be very amazed to find a country where everybody is content. Somewhere along the way they will be unhappy with the government. We accept that situation.

AG: *Does the present split in the Malay Chinese Association (MCA) pose a threat to the coalition government?*

MAHATHIR: The problem is at the leadership level, but all of them, all the factions, support the government and the coalition party. Even in Sabah where the new government is not a member of the BN, they have always said they support the BN. Everybody wants to be with the government in power.

AG: *How serious is the leadership problem in the MCA?*

MAHATHIR: It is serious in the sense that they cannot settle who should be their leader. Therefore there will be a problem of running the party. At the moment the party can't function because they cannot agree.

AG: *But you still have them in the Cabinet?*

MAHATHIR: They are there as individuals, because they have a contribution to make.

AG: *So they will stay in the Cabinet whether they solve the problem or not?*

MAHATHIR: That depends on whether the person who is the present leader stays on as the leader.

AG: *We all say that the North-South dialogue has stalled. The truth is that it never started. What do you see as the main weaknesses in the Third World that have impeded progress towards a new International Economic Order?*

MAHATHIR: It is difficult to expect other people to solve our problems. Basically the problem is ours. The North sees no reason why they should solve our problems. We are not negotiating with the North from a position of strength, not even as equals. We negotiate from a very weak position. We demand restructuring but in fact are asking for aid. We can't succeed

because they have the strength. The question is whether we are able to consolidate ourselves, and draw some strength from each other. I think we can. Malaysia had problems, but we were very cool and detached. We took a very simple step: we just said we would not buy British. We would buy British last. This did not destroy the British economy, but it did affect certain individuals who are sufficiently influential to be able to pull strings in the government. As a result, we were in a position to threaten them with something we could withhold. They had something to give us, we had something to give them. This is how we could negotiate and solve the problem.

I believe that every country, however small, is able to do something like this. The question is to assess one's strength and use it. Of course, when countries work together they augment their bargaining position. But to expect all the developing countries to work together is difficult. It is better to attempt this at the regional level. ASEAN is the world's biggest supplier of tin and rubber. If we used that position to negotiate with the Americans, I think we would succeed. That is why we have promoted the Association of Tin Producers as a desperate effort to try and boost the tin market. Cooperation is also needed in marketing and research. Research may discover more uses for tin. Then we can expand the market. There is much we can do to strengthen ourselves. Once we are strong, the North will accept what we say.

AG: *Do you think the Third World should repudiate its external debt, as Fidel Castro suggests, or at least say, as Peru has said, that we will give no more than 10 per cent of export earnings toward debt repayments?*

MAHATHIR: If you are strong enough to withstand the pressures, by all means. Speaking as a doctor, if you had diabetes and your general constitution was not good and I chopped off your leg, you would die without the leg. When you say you won't pay your debt, you must be strong enough to withstand the counter-measures the creditors are bound to take. They will deprive you of everything, and you will perish together with your debt. But if you are strong enough to say: 'Look, I am not going to pay until I can afford to pay', then, of course,

they will have to accept. You may need to restructure or postpone, but you must be prepared to pay; otherwise you will not be able to withstand the actions that they will take against you. Malaysia is very careful on this issue but, of course, we have the means to pay. It is also important for lenders to understand that if they destroy the debtors, they will lose everything. In a way, the lenders are in a fix. As they say, if you lend a billion dollars to a man, you are at his mercy. In fact, the lenders are now at the mercy of the debtor countries. We should be prepared to negotiate on that basis.

AG: *On Malaysia's dealings with Britain, your 'Buy British Last' policy obviously worked. Have Malaysia's problems with Britain been resolved?*

IAHATHIR: Let us say that we understand each other better. Mrs Thatcher understands the way we work here, and we understand the way she works, so it is possible to negotiate and get agreements. On the question of landing rights, for example, there was some procrastination but we got what we wanted without applying undue pressure. The secret of the technique is that you should know your own strength. If you go around threatening people and people call your bluff you will find yourself in a ridiculous position.

AG: *Can you identify areas of strength where the Third World could apply pressure to achieve its objective?*

IAHATHIR: Third World markets is one. The strategic location of developing countries is another and the Third World has a definite leverage in the UN provided we do not use it indiscriminately and brashly. We should use it sparingly and well. The fact is that the North cannot lose interest in the South. They will always need some of our resources. Japan, for example, will need raw materials and other goods from the South. And if the South can become stable internally, then we can use this leverage to good effect. If you are in a state of flux all the time, not knowing your direction, you lose your strength. If we can build regional organisations which will work as a unit, then we can increase our leverage by that much. There is, I think, quite a lot of things that the South can do.

AG: *In a recent speech in Hong Kong you said that the centre of*

gravity has moved from the North Atlantic to the Pacific, and you saw the Pacific community acting as an engine of growth well into the twenty-first century. However, you were worried about the economic cold war between the US and Japan which could seriously damage the economies of many developing countries in the region. How can such damage be avoided?

MAHATHIR: What we can do at the moment—beyond trying to persuade people to be sensible about the problems—is very limited. Japan must understand that it cannot shut its eyes to our situation. We have a vested interest in continued friendship between Japan and the US. They must open up to each other. Japan must understand that the prosperity of its customers is important to its economy. If the customers are not prosperous, they will not be able to buy what Japan produces. When Toyota invests in the US, we are left out. And when the US invests in Japan, we are left out again. What we want is that whatever solution they work out for their problems should include us. As an illustrative example, if Japan wants to export cars to the US, it could build the cars in Malaysia and sell them to the US. Japan will make its profit. The US will get cheaper cars, and we will get a small portion of that business as the site for manufacturing the cars. In return, we will buy Japanese and American goods.

AG: *What do the Japanese say to this?*

MAHATHIR: Well, the Japanese take a long time to react, because their negotiating procedure is very elaborate. But we kept on repeating this *ad nauseum*, and I think they are beginning to appreciate the need to do this.

AG: *But there is no let-up in direct Japanese investments in Europe and North America*

MAHATHIR: That is their immediate reaction to the threat of the US market closing on them. They will invest. But even if we get a portion of that investment later on, I think it will be good enough for us.

AG: *What was the North American response?*

MAHATHIR: When you talk to the Japanese, they listen though they may not agree. But when you talk to the Americans, they immediately disagree. They have no inhibitions about

expressing their feelings. Sometimes it becomes very difficult to get through to the Americans. Fortunately the present leaders of America include people like Mr Shultz, who is a different kind of political animal altogether. Schultz is one person who will listen, and he will accept the views of countries like Malaysia. It is because of him we have new landing rights. It would be useful if participation of all countries could be ensured. Certainly the South must have a share in the common wealth that is generated.

AG: *Given the current state of tension, indeed confrontation, between the US and the USSR, are there any grounds for optimism about the November 1985 meeting between President Reagan and General Secretary Gorbachev?*

MAHATHIR: Well, in the first place, I would say that any meeting between the two is a happy sign. The more talks they have, whether they agree or not, the better it is. It is when they do not talk that we are in trouble. Then each will be doing his own thing, and will not know what is going to happen. Secondly, the arms race is, of course, going to be costly. Inventing a new weapon will not solve any problem. With Star Wars, one side will invent one weapon, the other side will invent another weapon as a counter-measure. Then the arms race will escalate, absorbing larger and larger quantities of money, leaving nothing for anything else. This is becoming absurd. They are inventing weapons to fight weapons. The whole Star Wars programme is illogical because eventually you still have to come down and fight on the ground. Basically, it is the rifle that will settle the issue, not what is going on out in space. What will go on in outer space is a great waste of money. But of course, somebody has convinced the Americans that they should do this, and I think the Soviet Union will react. This will go on *ad infinitum*, and each time the cost will escalate.

AG: *Third World leaders have not expressed themselves forcefully on this question of the arms race. The only thing has been the recent five-continent initiative. Should more leaders support this?*

MAHATHIR: I suppose so, but I don't know whether this will do any good. Obviously, no one likes this arms race. I think the more important thing is for scientists to go against it and not

work towards it. After all, it is they who invent all these things. What we need are simple weapons for defence. But the arms race is creating needs which were not there.

AG: *The developing countries themselves are engaged in a mad race to accumulate sophisticated arms. The Middle East is the most heavily armed area in the world after the US and USSR. There is no realisation that they are arming themselves only by depriving their people of education, health care, and other basic amenities.*

MAHATHIR: As far as I am concerned, we would not like to see this race in the Third World countries. We cannot afford it. But the wonder is, how in Lebanon, for example, they can obtain weapons which are so costly that even Malaysia cannot afford them. Certain missiles cost as much as several million dollars. Where is the money coming from? We suspect that other people are testing their weapons in Lebanon. Perhaps these arms are provided, not for profit but for purposes of testing their weapons? This is real-life testing.

AG: *Could ASEAN serve as a model of South-South cooperation for the Third World?*

MAHATHIR: It is a model in the sense that it is one of the regional organisations that has worked. Not 100 per cent. Not as expected. The expectation, especially on the part of outsiders, was misplaced. ASEAN did not come into being because of the need to have a common market. ASEAN was formed because of a need to solve problems among neighbours. We had problems with Indonesia and the Philippines and we had to resolve these problems. We had to meet. Initially we formed ASA and later ASEAN. From that point of view, it is a resounding success. Politically, ASEAN has been a great success. Economically, there is much to be desired. There are a lot of areas where we have not succeeded at all. ASEAN is not perfect but it is a worthwhile model to try.

AG: *If ASEAN has been so successful politically why have the leaders not been able to meet for eight years?*

MAHATHIR: That is not quite true because we do meet individually. We have not had a summit because we don't want to have a summit for the sake of having a summit. We will have a summit if there is something substantial to discuss and if the

preliminary work has been done. Then we will go and meet and give our approval there.

AG: *Was it not the dispute between Malaysia and the Philippines that prevented such a meeting?*

MAHATHIR: Well, there is this problem, of course, between the Philippines and ourselves. But every time we have a new Prime Minister the custom is to visit the others. I have visited the Prime Ministers of Thailand, Singapore and Indonesia. Several times they have visited me. I think we are really in close personal contact. There is no problem for me to meet them or for them to meet me.

AG: *But with the Philippines there is this distance?*

MAHATHIR: The problem with the Philippines is Malaysia's problem. So, as a group we still function. And when there is a need to meet, we will meet.

AG: *What are the prospects of resolving this problem? Does it have to await the exit of President Marcos?*

MAHATHIR: It is difficult to say because much depends on them. As far as Malaysia is concerned, all that is needed is for the Philippines to issue a decree to repudiate their previous claims. And they can do it under their present system.

AG: *The other major problem is Kampuchea. Malaysia has proposed 'proximity talks' between the parties involved in the conflict. What would happen if the status quo continued?*

MAHATHIR: If nothing is done the result will be the occupation of Kampuchea by the Vietnamese, and, we suspect, the gradual assimilation by the Vietnamese of the Kampuchians. It is their way of making permanent their domination of the area. So we would like to solve the problem. If we cannot succeed one way, there are other ways.

AG: *But is Malaysia not in a strong position vis-à-vis Vietnam to persuade them to seek peace?*

MAHATHIR: Not strong enough to be able to tell them that they should accept some of the solutions that we propose.

AG: *Do you think it is in Vietnam's interest to let the status quo continue?*

MAHATHIR: We suspect it is in their interest to continue the status quo. They have achieved what they want, but the cost may prove to be very great.

Inga Thorsson

Inga Thorsson is an Under-Secretary of State at the Swedish Ministry of Foreign Affairs and Chairman of the Swedish Disarmament Delegation to the UN (1973–82). She was the President of the First Non-Proliferation Treaty (NPT) Review Conference in Geneva (1976); Chairman of the UN General Assembly Ad Hoc Committee on the strengthening of the role of the UN in the field of disarmament; and Chairman of the UN Group of Government Experts on the Relationship between Disarmament and Development (1978–81). In 1983 she was appointed by the Swedish Government to undertake a study of national aspects of the relationship between disarmament and development.

Raana Gauhar interviewed Inga Thorsson in Stockholm in September, 1985.

RG: *You have devoted fifty years of your life to the peace movement which must give you a unique perspective on the problems of peace and development. It seems important to explore that perspective at a time when the backdrop to any disarmament interview is very discouraging: close to \$1 trillion are being spent on arms, and most arms control regimes and arms controls treaties are being eroded by evasion or violation. You were the president of the First Review Conference of the Nuclear Proliferation Treaty in 1975, do you consider the NPT regime a success and if it has been less than successful, where would you lay the blame for failure? What is your criterion of success because the US Arms Control and Disarmament Agency has said that so long as nobody withdraws or threatens to withdraw from it, it can be deemed a success?*

THORSSON: I can tell you from experience that the First Review Conference in May 1975 was a very difficult one. There were tensions and controversies of various kinds among the participating delegations; between the nuclear weapon states and the non-nuclear weapon states, between neutral and members of military alliances, and, finally, between developing countries and industrialised countries. This, of course, was due to the feeling among several advanced developing countries that they had been denied the

possibility of nuclear power for energy production. At that stage the problems were divided equally between the issues of the transfer of nuclear power and the technology of nuclear power and the lack of progress in the field of nuclear disarmament in the working groups which had been entrusted with the task of preparing the final document. The working groups found progress very difficult and at quite an early stage some leading personalities and some delegations from the more progressive countries realised that there was a very great danger that the conference might collapse. So they discussed with me the possibility of trying to save it and in the final week of the conference we agreed that, with their support, I should prepare my own presidential draft of the final document. I put together all the passages in their draft where there had been some measure of agreement.

The conference was due to end on Friday and on Thursday at around lunch time, I went into the drafting committee and interrupted its work and said that there was no point in their continuing, as there had been no progress and they would not finish by tomorrow. If we did not make an extraordinary effort there would be no final document. I called an extraordinary session of the whole conference of the plenary that afternoon and submitted my presidential draft. I then assembled a small editorial committee of the various parties concerned, saying that although I would accept reasonable editorial amendments, there could be no change in substance in the document because once we began making changes it would open the door again for all sorts of problems.

So, throughout Thursday night and Friday morning there were consultations and discussions in all the various groups (the Western countries, the neutrals, the Eastern bloc, the developing and the non-aligned) on the draft to see if they were ready to accept it. One by one they came to me and said that although they found the situation very difficult they would accept the draft with the provision that they would be allowed to make 'interpretative statements' after the adoption of the document by consensus. So instead of ending the last session at 3 p.m. on that Friday we did so two hours later when all were prepared to give ground and accept it. The

important thing about that document was that not only did it contain a review of the past five years. This was our error in 1980 (at the Second Review Conference)—there was no final document; there were no guidelines for the future. In 1995 we shall be approaching a very important stage in the history of the NPT for it is in force for 25 years and if one review conference after the other fails in providing guidelines for the time further ahead, there could be a very dangerous situation.

We fought against nuclear weapons in Sweden in the late 1950s and early 1960s when I was Chairman of the Social Democratic Women's Federation which, at its congress, unanimously rejected having nuclear weapons for the defence of Sweden. I became one of the leaders of a campaign against nuclear weapons which triumphed in 1968 when Sweden's parliament decided that nuclear weapons should not be produced and should not be introduced in Swedish defence preparations.

RG: *I thought that part of the reason that the Second Review Conference in 1980 ended without a declaration was that the neutral and non-aligned states wanted to underscore their dissatisfaction with the lack of progress on nuclear disarmament rather than adopt a compromise position as they had done earlier?*

THORSSON: Yes, the difference as I see it between the 1975 Conference and the 1980 Review Conference was that in 1980 there was much more emphasis on the lack of progress in nuclear disarmament than on the acquisition of nuclear power. The bitterness was felt very deeply in the working group which dealt with Article 6 and the comprehensive nuclear test ban. At the Second Review Conference I was chairperson of the Swedish delegation. What should have been emphasised much more is Article 6 of the NPT. What Article 6 says is that *each* state party to the treaty undertakes to negotiate in good faith to reach an early cessation of the nuclear arms race and then to proceed to nuclear disarmament. So it is not the nuclear weapon states it is *every* state party to the treaty which is under an obligation to negotiate a cessation of the nuclear arms race and it is the United States which refuses to have multilateral negotiations including the non-nuclear

weapon states in Geneva in the Conference on Disarmament.

RG: *You see the Conference on Disarmament as the natural forum for these negotiations?*

THORSSON: Yes, I cannot imagine any other.

RG: *But the Conference on Disarmament seems to have a very limited mandate. At present the most active item on its agenda seems to be a chemical weapons ban.*

THORSSON: But who is responsible for that? It is the United States. I do not think that the Soviet Union is more favourably inclined towards multilateral disarmament negotiations than the United States, but they are much cleverer than the United States. They know, of course, that the United States refuses to negotiate a comprehensive nuclear test ban in the Conference on Disarmament in Geneva, that they refuse to negotiate the issue of the prevention of nuclear war, the cessation of the nuclear arms race, indeed anything that has been placed on the agenda of the Conference of Disarmament as a result of resolutions adopted by the UN General Assembly in which the United States participated. But in Geneva they refuse to set up working groups and negotiating groups for that purpose. Also the Soviet Union knows exactly what the United States' positions are, so since every decision has to be taken by consensus, the Soviet Union can say 'yes', because they know that the United States will say 'no'. I often say that the United States provides the Soviet Union with a free lunch, every time they say no to these requests. But I cannot think of any other negotiating forum where multilateral negotiations as required under Article 6 can take place except the Conference on Disarmament which provides for closed meetings in specific working groups.

RG: *To what do you attribute this US and Soviet disinclination towards a multilateral forum negotiating disarmament?*

THORSSON: Their perception that they are superpowers. They don't think it's proper and correct that all sorts of small nations should sit and negotiate with them on issues which they feel are their prerogative to negotiate. When they are forced to negotiate they will do it bilaterally and of course the United States wants to continue the nuclear arms race. The present

Director of the Arms Control and Disarmament Agency, Kenneth Adelman, appeared before a committee of the House of Representatives in September 1983 and said explicitly: 'We are going to continue nuclear testing.'

I am going to the Third Review Conference in a non-governmental capacity because the NGOs have asked me to present to the President of the Conference the petitions that have been signed all over the world demanding a comprehensive nuclear test ban; I am going to do that with a speech in which I shall underline the responsibility of each state party to the NPT to negotiate a comprehensive test ban and nuclear disarmament and I shall say in very clear words what I think about the US delegation.

RG: *How do you regard the possibility that this time the neutral and non-aligned might try to have the declaration adopted by vote instead of consensus?*

THORSSON: I was put in that dilemma in 1975 because if there appears to be no possibility of a consensus decision, there could be a vote but it will require an absolute majority and it will also require a period of grace of 48 hours. In 1975 I didn't have 48 hours before the conference was going to end. The President of the Second Review Conference, who was from Iraq, tried his best to extend the conference but that was not possible. I would not be surprised if a number of neutral and non-aligned delegations tried this time to dispose of the time available in such a way that voting would be possible. But, of course, a majority vote in these issues does not matter very much in real terms because the United States is still a sovereign nation and can refuse to negotiate these issues in the Conference on Disarmament.

I shall say to the United States that although it accuses the Soviet Union of violating one treaty after another, they themselves violate treaties. The United States is violating the Limited Test Ban Treaty by refusing negotiations on a comprehensive test ban.

RG: *Their refusal to negotiate a CTB on the ground that adequate verification is not possible is not supported by seismologists.*

THORSSON: Yes, and President Reagan's invitation to the Soviet Union to send observers to the nuclear test in Nevada is absolutely ridiculous. At every session of the CD, Sweden has put

forward statistics on the nuclear tests undertaken in the previous years and we base that on the evidence from the laboratory we have in the National and Defence Research Institute.

RG: *Has Sweden not suggested a seismic data exchange as a measure towards attaining satisfactory verification?*

THORSSON: I proposed that when I was Swedish delegate to the CDU many many years ago and since then an expert group of seismic experts has been working with the aim of establishing an international network of seismic stations which will be able to catch signals from every nuclear explosion and distinguish them from earthquakes. Those which we already have in Canada, in Japan, in Norway and in Sweden are sufficient. Sweden would not presume to put forward statistics like that if we were not sure of them.

RG: *Which leaves us with little choice but to face the conclusion that the reason the US will not agree to a comprehensive test ban is because they want to continue testing?*

THORSSON: There are two reasons: one is the well-known argument that you must test the reliability of stockpiles of nuclear weapons because nuclear weapons do not last for ever, and the second is that they want to develop new types of warfare and weapons.

RG: *The most frightening aspect of the Strategic Defence Initiative (SDI) is that its proponents have started to contemplate a nuclear war as winnable. There are people within the US who are saying that if a nuclear war can be made less than cataclysmic; if nuclear weapons can be developed which are so precisely targeted that they cause destruction short of a complete holocaust, what is wrong with trying to improve the targeting, reliability and accuracy of nuclear weapons? There are some analysts who feel the 'nuclear winter' scenario is presented in a highly exaggerated way because it is posited on the assumption that nuclear weapons will be used in an 'unintelligent' manner by both sides.*

THORSSON: That is just evidence of their total lack of imagination. Tomorrow is the fortieth anniversary of the bombing of Hiroshima. The Hiroshima nuclear bomb and the Nagasaki plutonium bomb were toys compared with the present nuclear weapons. No one knows what sort of reactions will be generated by the first nuclear explosion to take place

after these forty years. We now know that both President Eisenhower and President Nixon have threatened nuclear blackmail against nations who dared to oppose their foreign policy. All this talk about the limited use of nuclear weapons is absolute nonsense.

RG: *Nixon's disclosures have revealed that none of the four occasions he cites in which the use of nuclear weapons was contemplated—the Indo-Pakistan war, Vietnam, the 1973 Egypt-Israel conflict, the Sino-Soviet confrontation—were going to take place in Europe. It is repeatedly said that a nuclear war, may begin in a regional Third World conflict. What Nixon says shows that it is less likely to be a Third World nuclear confrontation than a superpower confrontation in a Third World arena.*

THORSSON: It could be any conflict in the Third World where the two superpowers are involved to such an extent and in such a way that they find themselves facing each other. Then anything could happen. So far we know that at least in half of the conflicts that have taken place in the Third World since 1945 there has been intervention by one or both of the superpowers. So far, the intervention has been largely indirect but if they become more directly involved there is an immense danger. We have been close to a nuclear exchange more than once and when people say we have had peace for forty years because of nuclear weapons that is sheer nonsense. People speak so much foolishness in these matters because they don't understand what a nuclear weapon really is.

RG: *How could they fail to understand with the amount of information disseminated?*

THORSSON: A lack of commonsense, a lack of imagination, they can't really experience for themselves what it would be like. In a marvellous book, *With Enough Shovels*, published in the early part of Reagan's first term, a journalist, Robert Sheer, has an interview with a high Pentagon official, G K Jones, who among other things was responsible for civil defence and he said, 'Don't you know that a nuclear weapon is not all that dangerous, trams were running in Hiroshima three days after the explosion?'

RG: *On proliferation, is there not a great deal of hypocrisy among*

nuclear suppliers? The nuclear reactor industry has taken a nosedive because of the recession, and governments are under pressure from their own nuclear reactor suppliers to be less restrictive about export practices. One of the great dangers today is the way plutonium has become an internationally transferable material and the Reagan Administration is not taking such a restrictive attitude towards it as its predecessors did.

THORSSON: I am a firm opponent of nuclear power myself because I feel that the energy problems of the world should be solved in quite a different way. We can never make nuclear power harmless and there will always be security risks: there are risks in both operation and in storage of radioactive waste. I am fighting nuclear power here in Sweden. We had a referendum five years ago which decided that within a certain period we will abolish nuclear power in Sweden. By the beginning of the twenty-first century Sweden will no longer have nuclear power. The Reagan Administration boast of their restrictive policies but I am not at all sure of how effective these are. I know that they have exported heavy water to Argentina, for instance.

Whether or not the NPT is a success depends on what you mean by success. If it means that there has been no acknowledged horizontal proliferation since 1970, then of course that might be called a success. But if you consider vertical proliferation as important as horizontal proliferation then that has just continued. And, after all, Article 6, which I consider to be one of the key articles of the NPT, states that we should negotiate in good faith towards an early end to the nuclear arms race. Now, the NPT was signed in 1968 and went into force in 1970 and yet we haven't had one nuclear weapon less since then. On the contrary, the US has made a formidable build-up of new warheads. As you know, there have been many estimates of how many warheads would be needed if, for instance, the United States wished to annihilate the Soviet Union; the general estimate is about 400–500. The US has more than 30,000 warheads. So, in that respect also the NPT is certainly not a success.

As long as vertical proliferation is not stopped and the

nuclear weapon states do not consider in good faith what Article 6 really obliges them to do—to negotiate with us on nuclear disarmament—as long as that does not take place, the NPT cannot be a success.

RG: *You have made a very important contribution to research on the relationship between disarmament and development. You have warned about the competition between military spending and spending for development. Why is it that in most developing countries it is always development which loses? Did you address the political factors at work in this allocation?*

THORSSON: Yes, in the United Nations report which appeared in 1981 we devoted quite a lot of space to the political reasons for the level of rearming in the Third World. We had some very eloquent participants from countries in the South who were very articulate about the political aspects of the arms race in these countries. It was not my task in the Swedish report to deal extensively with the political reasons for the arms race in the South, but I felt obliged to take it up in the context of the Swedish export of weapons to developing countries. In the early 1970s, when I was a member of parliament, the Swedish parliament agreed in principle to the prohibition of export of weapons from Sweden. At the same time we recognised that for a neutral country such as Sweden, situated as we are between the two military blocs in Europe, in a sensitive area in the north with the Murmansk base quite close to us, it was necessary to have a fairly strong Swedish defence system and it was also necessary to have a weapons industry which could produce as much as possible of what the Swedish defence forces needed. We did not want to become dependent on any other weapons producer. We had a large and fairly advanced weapons industry for a small country such as Sweden and for Swedish defence requirements but it is not comparable to that of the Soviet Union or the United States or even Britain or France because we are a smaller country with a much smaller population. It was felt that Swedish-produced weapons would be very expensive if they were produced only for Swedish defence and not for export. So parliament set out some guidelines and some criteria which would guide the

government in its decision on applications for permission to export weapons. These prohibited export to countries with domestic or international conflicts, to countries who are actually at war, and also those disregarding human rights.

RG: *So who then are your customers in the Third World?*

THORSSON: Well, the joke once was that Swedish weapons exports are like exporting winter furs to Sudan. Weapons are bought never to be used but to keep the peace. However, that has changed. In 1971, when parliament took that decision we generally supposed that countries receiving weapons from Sweden would be other Scandinavian countries and neutral countries in Europe like Austria, Switzerland, Yugoslavia; however, the development of our weapons export has been quite different. In 1983, 45 per cent of countries receiving Swedish weapons were developing countries and in 1984 it was 41–42 per cent; the country which was highest on the list in 1983–4 was Nigeria. The next highest was India which has domestic problems and has border problems. The third on the list in 1983 was Singapore and we know now that Singapore is a weapons-exporting country. So contrary to everything that is said when the Swedish government gives permission to export weapons to Singapore, Singapore has exported them further to third countries, and we never know where in the world we will find Swedish weaponry.

One other reason why it is so difficult to control and check the flow of Swedish weapons is that the firms are quite free to market their products before they apply for permission to sell them. When they see that they might get a contract they ask the government for permission and at that point, for political reasons, it could be quite difficult to refuse. One should also consider the fact that almost half of the developing countries have military regimes which may be importing weapons from abroad in order to keep down unrest in their own country. I cannot name the country but in December 1982 we sold Kalgusta guns to it and the Swedish government seem to have been unaware of the fact that there had been a guerrilla war in that country for decades. There is a movement in Sweden to have all weapons export banned completely and my findings in that report support many of the arguments that they use.

- 3) Are you willing to forbid the export of weapons from your country
– if all other UN countries do the same?
- 4) Are you willing to cooperate in joint action so that clean water, food, elementary health-care and school education will be guaranteed to all people in the whole world?
- 5) Are you willing to solve future conflicts with other nations through peaceful means, and not through military actions or threats?

With the fourth question we excluded the last phrase because we felt that every government should, irrespective of what others did, undertake that and also the fifth—the peaceful solution of conflicts in accordance with Article 33 of the United Nations Charter. This journey was planned purposely for 1985, the fortieth anniversary of the United Nations, in Europe as the first stage and for two weeks in May 1985 groups of people, men and women from some sixteen European countries, travelled to different European capitals. In February 1985 I wrote to all the governments, to the prime ministers of every government and said that you will be visited on such and such a day by the delegation of the great peace journey and these are the five questions that will be put to you by them, we request written answers, 'Yes' or 'No'. No evasive answers or lot of arguments or excuses—'Yes' or 'No'. The governments of twenty-eight countries were addressed and twenty-five countries received the delegation. Sixteen countries in Europe unequivocally said 'Yes' to some and 'No' to others. The three governments that have been most unresponsive are Bonn, Paris and London.

In democracies, governments are accountable at election time to voters but in the nuclear age all governments are accountable to all people in the world at every stage, and so we have the right to put questions and request written answers. Now, of course, we do not imagine that this will change the minds of those governments overnight. But we have in writing from a particular government that it will stop the production of weapons of mass destruction if all other members of the United Nations do the same, we will

have a new basis for international negotiations. Once you have said 'Yes' to that question, how can you refuse to negotiate? Will you be prepared to be the only government to continue to produce nuclear weapons if all other members of the United Nations stopped? This is exactly what I have written to Mrs Thatcher. I have said I am convinced that the British government will not stand out as the one saying 'No', expressing doubt or giving ambiguous answers. And I have written this also to President Mitterrand and to Chancellor Kohl. The Swedish parliament said 'Yes' to all the questions as did fifteen other governments in Europe. We will continue now to put questions either by visits or in writing to all governments of UN member states, including developing countries. In 1986, the UN Year of Peace, we will conclude by visiting Washington and Moscow. The United Nations Charter starts by saying 'We, the peoples of the United Nations' but in the various UN bodies it is the governments who speak and we emphasise that they are accountable to the people: we have the right to question them and to demand their answers. All these governments have freely signed the United Nations Charter whose Article 33 gives very clear advice on how to solve conflicts between states peacefully.

RG: *Do you think that this is the kind of peace movement we need today rather than the 1983 peace marches, which were specifically about the deployment of Cruise and Pershing?*

THORSSON: I think this is a new approach. I am all for the peace movement fighting particular weapon systems, especially nuclear weapons, and now also chemical weapons but they have unfortunately experienced serious failures so far. I remember that in the summer of 1983 I warned them that they would not succeed, the Pershing II will come. There was every sign that the Pershing and the Cruise missiles would be there by the end of the autumn of 1983.

RG: *But would you have advised the peace movements to have acted differently from what they did?*

THORSSON: I think they should not have put all their cards in one hand because the disappointment became so immense. For a greater part of 1984, the peace movements were very depressed because of their defeat in the autumn of 1983.

Now with our peace journey we do not attach particular importance to any one weapon system. We say: are you willing to take steps to ensure that development and deployment of mass destruction weapons including nuclear weapons is forbidden in your country, if all other member states of the UN do the same?

RG: *Do you fear that if discouragement sets in, the peace movement will have a drop in membership, that people will start to endorse government policy. A lull could be just a reflection of exhaustion?*

THORSSON: I do not think that any peace activist will ever endorse official government policies in this field. Even now the peace movements both in the United States and in the United Kingdom are active. I shall participate in a conference in early September 1985 in Geneva alongside the NTP conference organised by the Nuclear Freeze Campaigns both in the United Kingdom and in the United States and I hope that they will gather a great number of people in Geneva.

RG: *Are you planning to create a forum or platform so that if peace workers in developing countries encounter repression, there would be somebody in a free society who could publicise their case?*

THORSSON: In democracies, the governments govern by the grace of the people. It is the people who allow them to be in government. In dictatorships the situation is different and there the government may have to feel the pressure of public opinion from abroad. For instance, as soon as Moscow is criticised in any way for their policies, they become worried and anxious because they don't want to be criticised. They want to appear peace-loving, and I must confess that I am in some doubt as how to react to Mr Gorbachev's declaration of a moratorium on nuclear weapons testing as from 6th August 1985 and for five months ahead. He has said that if the United States reacts favourably he will extend it, but the United States has already refused his offer as just propaganda.

RG: *Secretary of State Shultz responded to the Gorbachev offer by saying we remember how they ended the last moratorium with a bang, referring to the one from 1958 to 1961.*

THORSSON: There were definite reasons why Khrushchev broke that moratorium, but then John Kennedy took the initiative in 1963 in the Spring and said that if the Soviet Union now agrees with us we shall have a moratorium until the nuclear test ban treaty is signed. The Limited Nuclear Test Ban treaty was then negotiated during a few weeks in 1963.

RG: *But what the press has publicised a lot is the Soviet Union's failure to keep to the ban.*

THORSSON: That was in 1961 and the situation was that Kennedy had won a fairly narrow victory over Nixon in the 1960 presidential campaign, particularly because of his emphasis on the missile gap and that had worried the Soviet Union considerably. So when Kennedy came into power with a rather hostile Inauguration speech in January 1961, the Soviet Union felt that there were new threats. I think one should always remember that during the decades of the 1950s the 1960s and the 1970s, in twelve cases out of fourteen the United States was the one who initiated the new weapon systems, not the Soviet Union. However much I dislike the dictatorial system in a country such as the Soviet Union, one must also remember the history of that country and how many times it has been invaded, particularly from the West. In World War II, the US lost 300,000 people, the Soviet Union lost 20 million people. Three hundred thousand people corresponded at that time to 0.3 per cent of the population of the United States, 20 million people was 10 per cent of the Soviet population, and almost the whole European territory of the Soviet Union was devastated. I want to approve of the moratorium. If one follows the international debate on the arms race and disarmament, people are very often in despair about the lack of progress in both bilateral and multilateral negotiations and then they ask why unilateral restraint measures are not tried. Why not announce that from this day we shall refrain from, for example, nuclear weapons testing and that we await the response from our adversary or our potential adversary? This is exactly what the Soviet Union has done.

RG: *What progress do you think there has been in the Geneva talks?*

THORSSON: The problem is that each side wants to negotiate on its own

conditions. As long as the United States insists on continuing research in the SDI, I don't think that there will be any step forward towards agreement in the Geneva negotiations. Both countries, particularly the Soviet Union, are so negative towards each other and so full of distrust. The Soviet Union is certain that any defensive weapon system under research or development in the US is a preparation for a first strike. That is why the Soviet Union and the United States in 1972 managed the ABM treaty to limit anti-ballistic missile systems to just one in each country. The United States has built one, the Soviet Union has at least one. Under the protection of a defensive system, each of them suspected the other of preparing an offensive first strike. As long as this immense distrust continues I cannot see how the Soviet Union can change its views on SDI research.

RG: *A number of commentators have also attributed the Soviet Union's paranoia about SDI to its deep-rooted sense of technological inferiority to the US.*

THORSSON: There again, the United States just confuses the issue. They say, 'Well, look at the Soviet Union. They have had anti-satellite research for years and years.' Now the SDI is something quite different from anti-satellite weapons which are supposed to be shot from the earth to kill satellites in space; the Strategic Defence Initiative is something quite different. What I am really very worried about is what they are doing now in research in the United States. For this enormous sum of 26 billion dollars they will explode laser beams, the short X-ray laser beam which will, as Professor Abdus Salam said in New York, require such an immense amount of energy to be released that it will require a nuclear explosion.

RG: *But this is supposed to be the non-nuclear weapon system which will make nuclear weapons obsolete?*

THORSSON: It is so immensely ridiculous. In his 23 March 1983 speech Reagan said that they will develop these weapons in order to make nuclear weapons obsolete. It will be a shield protecting US citizens all over the continent. Suddenly, very quickly, they found out that that was impossible. The scientists know that the Soviets just smiled derisively; then

Weinberger was put forward to say that in the first stage we will see to it that there will be a protective shield over the intercontinental ballistic missile Seagulls. Of course, the whole MX thing is another example of the shortsightedness and the narrowness of the views of the United States; they know that in the Soviet Union's strategic nuclear weapons arsenal, the greatest proportion is intercontinental ballistic missiles. Seventy-five per cent of the Soviet Union's strategic weapons are ICBMs, the rest are carried by aircraft and submarines. In the US the situation is directly the opposite. They have only 25 per cent in intercontinental missiles, and 50 per cent of weapons are carried in submarines and 25 per cent in aircraft. Now it is well known that intercontinental ballistic missiles are immensely destructive and as they improve in accuracy they are really formidable weapons; however they are also the most vulnerable. The United States argues that the Soviet Union must reduce their stock of ICBMs, and Reagan's first disarmament proposal to the Soviet Union was for the reduction solely of ICBMs. Of course, the Soviet Union rejected this immediately because the US would then retain its formidable superiority in nuclear-armed submarines. Now the US under Reagan intends to develop the MX missile which is a formidable weapon, very accurate, very very destructive, but also very vulnerable.

RG: *Do you think arms control negotiations are going to be able to keep pace with all these developments?*

THORSSON: Well, the problem is that negotiations take such a long time and this is one of the reasons why so many people now discuss new approaches to disarmament. There is a race against time in disarmament negotiations and the longer it takes to complete disarmament negotiations, the more difficult it will be to conduct them, for technology proceeds faster than disarmament negotiations and we are now developing weapons systems which are almost unverifiable. The cruise missiles are the best example because they are small, they are mobile, no one can judge from outside if they have a conventional warhead, a chemical warhead or a nuclear warhead. How can one verify the reduction of cruise missiles? Reagan is producing thousands and thousands of

cruise missiles, bomber-borne, airborne-cruise missiles. The few that we have now in Europe are just toys compared with the ones that are being produced in the United States.

RG: *The Scandinavian countries have shown a great interest in promoting nuclear weapon-free zones and now the South Atlantic Forum is considering it.*

THORSSON: I doubt if it will be possible to achieve a nuclear weapons-free zone in Nordic countries in war-time. The way in which the US, the UK and the Federal Republic of Germany have reacted show that it will not be possible. In peace-time there are no nuclear weapons in Scandinavia, in Finland; we are all parties to the NPT and very faithful to that end, but Norway and Denmark are members of NATO, and the Soviet Union with its immense naval base and airbase in Murmansk is very close to the Norwegian border. The Soviet Union also has a number of submarines in Baltic waters which in wartime would have to go through the straits between Sweden and Denmark in order to get access to international waters. The Soviet Union has an interest in getting out through these straits to the Atlantic, and NATO has an interest to keep them confined in the Baltic. So, all of us face dangers in war-time and with the NATO strategy of having the right to use nuclear weapons first (not the first strike but the first use) makes it extremely improbable that they will ever allow the Nordic countries a nuclear weapon-free zone in war time.

RG: *There have been suggestions, that the really sensitive areas like the Middle East should be declared nuclear weapons-free zones.*

THORSSON: You know I am a heretic as far as the Treaty of Tlatelolco is concerned. It is one thing that the superpowers with some exceptions have now signed the additional protocols to the treaty. I am absolutely convinced that if the United States or the Soviet Union, or the United Kingdom for that matter, sees it in their interest in war-time to use nuclear weapons against any country in Latin America, they will do it. No treaty will apply in war-time, particularly during a nuclear war. Arms controls negotiations and conventions are there to prevent war from happening, but once war breaks out, there will be no return, they will not respect any treaty

whatsoever. It is a very frightening thought, but we have to learn to live with it.

RG: *It is a very discouraging thought. So many years are spent negotiating these treaties and their clauses in committees and sub-committees only to discover that when it really matters they are not going to be a restraint on anyone.*

THORSSON: But the only thing that matters is to prevent war from ever breaking out. This is the reason for the questions in the peace journey. Article 33 of the Charter tells you exactly what governments should do in a conflict with other countries. The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall first of all seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, juridical settlement, resort to regional agencies or arrangements or other peaceful means of their own choice. The Security Council shall, when it thinks necessary, call upon the parties to settle their dispute by such means.

RG: *What was your reaction when the US Congress lifted the sixteen years-old moratorium on the production of chemical weapons?*

THORSSON: I hope that resistance to that decision will continue because of the terrible effects of the use of chemical weapons. The military are delighted at the decision because the new chemical weapons are very much safer to store, being relatively innocuous until they are combined. They are cheap. It is said that chemical weapons are the nuclear weapons of the poor countries of the world because every country with a chemical industry of some kind can produce them. We have been negotiating in Geneva on chemical weapons for some time now. The chemical weapons issue is extremely complex and difficult, particularly as far as verification is concerned because 1) it requires inspection inside chemical industries, most of them in market economies privately owned, and 2) there are 'double agents' which are poisonous, but can also be used for peaceful purposes, such as fertilisers.

So it was found out that it would be easier to agree on a convention banning just bacteriological weapons; it was considered to be in the self-interest of everyone to achieve

that. So in 1972, the same year as the SALT I was concluded, the convention banning production of bacteriological weapons was also signed. However, since then there have been negotiations in Geneva year in and year out on chemical weapons; in the last two years there have been real negotiations in the close working group within the CD on the treaty text but there are still some very difficult obstacles, particularly in the area of verification.

RG: *What do you think of the international community's response to Iraq's use of chemical weapons against Iran?*

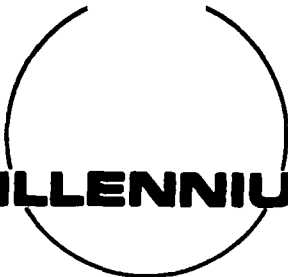
THORSSON: I share the disappointment that there wasn't general condemnation and consistent condemnation. The United States considers it in its self-interest to keep Iran down, it is an inheritance from the hostage issue and because of that, in spite of Iraq's aggressive policies. After all, it was Iraq who started the war in September 1980, but the US condoned Iraq's action and strengthened its relationship with Iraq. It is only when the narrowly conceived self-interests of one of the big powers are really hurt that they will understand what it is all about.

RG: *You have had a major debate in Sweden on radioactive waste disposal?*

THORSSON: It was part of our referendum debate. We are worried about radioactive waste and we have refused to build an enrichment factory here in Sweden. We have had a very hard debate on whether the spent fuel should be enriched to release plutonium or not. The general feeling now is that Swedish spent fuel should not be enriched. What still causes a lot of argument is that if we have decided on a nuclear power programme, which we did in the late 1960s and early 1970s (before any one really quite understood the dangers involved) we should take care of our own waste, we should not burden any one else with it. No area of Sweden has yet been finally approved as a storage for radioactive waste because the people oppose it. There is a mountain in northern Sweden, on the west coast close to the Norwegian border which has been under examination for storage. For six years now people have kept watch over that mountain, taking turns, to make sure that no one will dump radioactive waste there.

RG: *That is a tremendous manifestation of organisation and commitment. When you look back over these five decades of working with the peace movement, what do you regard as its achievements and what are your disappointments?*

THORSSON: I think that the peace movement has changed considerably during these decades. In the 1930s when I joined one of the international peace movements, we were small groups of people who were very concerned and very involved. Since then their membership has increased tremendously. The churches, the trade unions, all manner of what we call popular movements have taken up disarmament issues and peace issues and they have increased their awareness and their knowledge immensely. People who have worked in peace movements today or in any popular movement dealing with peace and disarmament issues know so much about the subject. As a Swedish disarmament negotiator, I cannot go to the US or the Soviet Union disarmament delegation and say that they must stop producing nuclear weapons now, it is not good for them. I can't do that. I must have technical knowledge, substantive knowledge, strategic knowledge, and because of that from the very beginning the Swedish government has involved our national defence research institute in our disarmament efforts which gives the Foreign Office all the technical data it needs. The same is true about the peace movement. We are extremely knowledgeable, we know what we are talking about. All the many professional groups against nuclear weapons have been extremely useful. Doctors are involved, lawyers, scientists, engineers, researchers, teachers, every profession you can think of now have their national and international groups working against nuclear weapons. Each of them contributing with their particular experience and competence in the field serve to increase the amount of knowledge over the last few years; with all this information peace movements should confront their governments. They should not limit themselves to marching in the streets, shouting slogans, bearing banners. They should ask their own government 'What are you doing? You are a member of the United Nations, what are you doing for disarmament?' Governments should be kept accountable.



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The transition to democracy in the Third World

I am not here to inaugurate this conference with a mere ceremonial speech, nor is my presence here just the fulfilment of yet another of the many engagements I have to carry out as Head of State.

It reflects a personal regard, which I believe echoes the general regard, for the importance of this event which has brought you together and which transcends the academic debate—excellent in itself—about to take place here.

The democratisation of Argentina, the freedom of her capital city, the recovery of the university, the scope of the coming days during which we shall reflect upon a set of problems which closely affect every one of us—all this has, if you will, a deep emotional significance.

So it is not only the President of the nation who is here to demonstrate official support at the highest level of government for this conference, but the politician, the citizen who wishes to share your hopes and to show his gratitude for this genuine tribute to Argentinian democracy.

How many times during all those years of tyranny did we political leaders and students of the political scene meet in secret, in darkened rooms and meeting places improvised in semi-secrecy, in order to plan a possible democracy, so better equipping ourselves to fight to achieve it! In those days we certainly never imagined that we would find ourselves years later in this university, breathing the air of our regained freedom, with our democratic institutions fully functioning, in order to continue planning for democracy while actually building it.

The events of December 1983 were only the beginning of the establishment of a democratic order. This and only this was the task which the people and government of Argentina—a state whose legitimacy was questionable, a society which was beginning to realise the magnitude of its problems—undertook in an exceptionally difficult economic situation and in the context of an international climate beset with many uncertainties.

This speech was delivered by H E Senor Raúl Alfonsín, the President of Argentina, to inaugurate the conference on 'The Transition to Democracy in the Third World' organised by the Third World Foundation in cooperation with the University of Buenos Aires in Buenos Aires, 27–29 August 1985.

A political order is, of course, built on the basis of an ideological system; but its survival is linked to the ethical foundation which inspires it and to its ability not only to resolve the conflicts which every society produces in the course of its development but also its ability to create the conditions in which ethical values can prevail. Thus politics and ethics are inseparable and as a result the transition of authoritarian regimes to democracy not only involves re-establishment of democratic institutions but also daily practical affirmation of the ethical values on which they are founded.

Transformation cannot be confined to institutional aspects, for long periods of dictatorship have had a general effect on economic, social and cultural orders and generated standards of behaviour not always compatible with the democratic system to which our society aspires. Peaceful coexistence, the total abolition of any form of violence, guaranteed by the force of law, create ideal conditions for the transformation and modernisation of the economy and the whole of our society.

The democratic institutions are functioning normally in this country; we have an independent judicial authority able to settle civil disputes and to oversee government activities; we have a parliament able to make laws out of the desires of the people; political competence is assured and within reach of all, and an unshakeable respect for human rights and individual liberty is the common inheritance of government and people alike. This is already a great deal, but we nonetheless know that it is not enough, that our responsibilities in building a democracy demand that we should all work harder.

We know that the difficulties of transition are as numerous as their origins; unsatisfied popular demands, lack of technology, inappropriate cultural habits after many years of censorship and isolation which sometimes present not so much a set of problems but a state of mind which conspires against the best of intentions.

Each one of us here today knows from bitter experience how our land has suffered in the recent past, and that our being here today, two years after we set out on the road to democracy, to reflect on our situation and that of nations undergoing similar change, our being here—political leaders, civil servants, scientists from Argentina and abroad, professionals, students and citizens—is an occasion which inspires and enriches our newly begun life of liberty. With the vivid memory, the recollection and meticulous analysis of our historical experience, with the balance-sheet of our present situation and with our sights set on the

future which we desire—as Spinoza taught us, ‘Do not weep, do not be angry, only understand’—through understanding, let us advance with a broader and clearer view of the horizon towards which we are striving.

If you will allow me to begin by trying to define what transition means here and now for Argentinians, I would say that it means living through painful memories and shared hopes, through this time when the paths cross of what is old and dying and what is new and being born. It is this feeling of profound change, mutation almost, which is emerging from the very heart of our society in a process of growth, with lines of continuity and points of fracture, with situations in which we are confronted with crucial dilemmas; in short, with the feeling of being in the process of forging our destiny with our own hands.

You are well aware of the colossal task that we, the political leaders, have before us, in this transition process through which we are living, in going ahead with the drastic reforms which will reshape outdated structures. The responsibility of the moment is enormous, as enormous as the sufferings and obstacles which have beset us and which were increased by endless frustration, helplessness and absurd quarrels.

Argentina is now immersed in a process of transition. This is what we call this inevitable stage of complete reorganisation and reconstruction of the country, after the long period of economic decline, the breakdown of republican institutions and the destruction of the social fabric through which we have lived during these recent decades. Today in Argentina, transition is not a word which defines mere intellectual exercises, but which expresses a concrete experience, a burning sensation of enacting moments of profound change, both in our relationships and in ourselves. Everything is changing in Argentina. Modes of behaviour, daily interaction and attitudes and an emergent creative energy demand from the leadership new solutions to old problems. There is a renewed social conscience which is still building on the terrible experience of our recent past and which now lives with the conviction of being on the threshold of new kinds of political and social organisation and achievement, more democratic and more just.

When there appeared on the national horizon the possibility of transition to democracy, it became clear at the same time that tremendous problems would be inherited by our society and by the government elected by the people to initiate that change. Democracy has given the country a scenario which could not be more complex. It was enough to make an inventory of the problems and to observe the

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hitherto unknown nature of many of them to conclude that the challenge we had before us was formidable.

But we embarked upon our task with the utter conviction that the democracy we had regained was the only political system and the only form of coexistence which would give us back our freedom and dignity, both as individuals and as a nation. Two years ago, we in Argentina finally returned to democracy, to our constitution and our republican institutions. Within this juridico-political framework, we set out to redeem the country from darkness and backwardness, endow it with a new productive and social structure at home and earn a worthy and creative role in the international community.

We know full well that this task will not be accomplished in one day and that it cannot consist of spasmodic or propagandist action, either by the government or by the people. The fabric of poverty is still standing in our country and it would be naive to assume that we will break it down by headstrong action or by a unilateral government decision. It will require years of day-to-day changes, some of them imperceptible, others radical, in order to bring about the transformation which we Argentinians are seeking. But it will, no doubt, be fewer years than those during which we were in decline.

This particular moment in our history is what we rightly call transition, a transition which passes from the dismantling of a system of domination imposed by fear and terror, unimaginable in today's world, to the establishment of democracy as a political regime and as a life-style. It is the moment of frenetic work when we are starting to lay the foundations for the creation between us of a structure that will mean prosperity for many, because a growing country which encourages investment and distributes fairly the results of its production makes it possible for everyone to share in its benefits.

This is how we envisage this participatory democracy which we are building; a system of life in which each citizen—against a background of mutual respect and civilised and pluralistic coexistence—has the right to an opinion and a share in decisionmaking, as well as the ability to build.

The Argentina of conflict and frustration is dead. We have left behind not only the atrocious authoritarian intrigues of the last dictatorship but also fifty years of decadence, disorder and political, economic and cultural instability; for we have reached a turning-point in our history and we are again starting out on an uphill path, our eyes fixed on a common destiny of reconciliation and fruitful effort. A modern and vigorous Argentina is being born: an Argentina which has returned to

the values of its founders and its fundamental institutions and is projecting them towards a different future. We are moving towards that Argentina.

We are creating a synthesis of rich historical experience, of incomplete plans, of social movements and diverse outlooks which have converged in the face of the necessity to formulate a better future.

We are not, therefore, only moving within the confines of the passage from dictatorship to democracy. If this were so, if this were the way we understood the problem, one could almost say that the transition is reaching its culmination and is doing so with resounding success for the people of Argentina.

Argentina is offering the world an example of peaceful transition: she has shown that it is possible to emerge from ignominy and destruction, even against a background of tremendous limitations and enormous obstacles, without serious débâcles, without violence and with strict adherence to the law. The passage from the Savage State to the State of Right without concession, where no one takes the law into his own hands, where there are no reprisals, where there is common sense and balance—this is a reality which is spreading through Latin America, cementing a definitive social order founded upon consensus and, fundamentally, on ethical bases of justice, peace and liberty.

So we envisage a transition which does not wear itself out rebuilding democratic institutions, respect for individual liberty and human rights. The conquest of these is inevitable and fundamental, but is not in itself enough to overcome the defects of old and the current limitations which we must confront. Fundamentally, in a continent which is suffering real hardship—influenced by external debt and difficulties in international trade, as well as technological innovation—we are fully conscious of the fact that the future of our democracies will be in serious danger if we do not, at the same time, find a way of bringing about socio-economic changes which can satisfy popular demand for greater participation, fairer distribution of wealth and an improvement in the material and spiritual conditions of life.

Thus the redefinition of the role of the state, the strengthening of civil society, the modernisation of the means of production and the revaluation of science and technology within the ethical and humanistic framework of democracy, are pillars on which we must build with greater independence between nations. These are also themes of major importance for transition.

The entire world is experiencing a general crisis which could mean

either an expansion such has never before been seen or its final destruction. A new revolution has erupted, transforming old production methods, economic relationships and cultural behaviour. The nations of Latin America cannot be relegated to the margin of history, almost ignored by the technological world. This is why part of our colossal task is to strive together for a more just and equitable international order which will lead to progress for the whole of humanity, and to work at the same time on our own development, conscious that we cannot miss out on the current scientific and technological revolution without being left out of the world decisionmaking process.

This common task which awaits us is tough, but auspicious and encouraging. This is because there exists a basic agreement—a reflection of the new conscience which I mentioned a moment ago—about the value of political democracy as an indispensable framework for the building of the country we want.

The Latin American nations who are overcoming their tragic cyclical destiny of instability, insurgence and authoritarianism, are adopting political democracy as the basis for the recovery of their lost destiny. They realise that democracy is the only viable way to make real advances in economic and social reform; the only institutional framework which will lead them away from barbarism and allow them to make rational, impartial and forward-looking decisions. For this reason, perhaps we can discover the deepest meaning of these transitional processes in the change in thinking and attitudes of every man and woman who makes up our societies, a change from passive acceptance of their allotted place in democracy to active identification with and defence of the democratic system.

This is not, of course, achieved in a short time. What are needed are changes which are sufficiently energetic but at the same time sufficiently balanced in order not to create chaos in the face of fresh circumstances. It is necessary to undertake a gigantic cultural reform which will instil in us a general regard for a way of life that will guarantee civil rights, and encourage tolerance and mutual respect; which will protect the freedom of the people and banish fear, coercion and disorder from our society.

This cultural reform also includes necessary changes in the old forms of political activity. The responsibility of the modern politician is to initiate a closer dialogue with the people, to listen and learn from the ideas, behaviour and needs of others and to reflect the opinions and way of life of society as it really is. In these countries where there is so much

to do, politics can no longer be something that takes place behind closed doors, a one-way flow from the top downwards, but something which is open at every level through better communication and deep social bonds.

It is precisely this that our founding fathers dreamed of. In the words of Juan Bautista Alberdi in one of his many writings: 'Improve society in order to get the best out of power, which is its expression and its direct result.'

But the transition to democracy is, of course, a historical phenomenon unique to each nation and it would be wrong to approach the issue on the assumption that there is some universal formula for diagnosing difficulties or for the happy outcome of transition. But we also know that there are many factors in common with those cases which are to be analysed at this conference and which transcend individual peculiarities.

Allow me to point out two factors which seem to me to be generally applicable to transitions to democracy. In the first place, we should remember that democracy and its survival is dependent upon the consent of the people, on their clear and constantly renewed desire to build a legitimate political organisation for the peaceful solution of conflict. Nothing can replace the conscience and will of the people which are the very basis of democracy and which must therefore always be allowed expression and maturing alongside the growing system. But, as we know, democracy is not only consent but also dissent, and respect for the other person's view and for diversity. So it is not just a matter of attending to the mechanisms which generate consent but also of recognising—not merely tolerating—the value of the dissent, acknowledging it as part of society's creativity. Consent and dissent are always important, but they are even more so in the transition to democracy which demands extreme flexibility and understanding.

The second element is something more subjective but no less important. Democracy is established, as I have said, on the basis of difficulties which have no immediate solution and which require effort, perseverance and great generosity. It is impossible to imagine democratic consolidation without a medium and long-term vision, while always taking care that immediate solutions do not have a negative influence on the future. This willingness of society to see democracy as a self-correcting system that can turn human aspirations into reality is not merely dependent on individuals and social groups; it also greatly depends on those political leaders presiding over the transition, on their

ability to generate confidence and credibility, which means it depends as much on political parties as on civil groups.

If the authoritarian system was always characterised as closed and obscure, the democratic system must be seen as its antithesis, an open, transparent system. So the transition to democracy is the road travelled by peoples and institutions, whose differences are reconciled in a form of coexistence based on mutual respect, with the capacity efficiently to decide the common destiny, formulate a value system and honestly manage public affairs. Our own experience allows us to show now that democracy is not only possible but that it is better than any other system we have known; that contrary to what is sometimes said, not only is it possible in developing countries but it ensures that their development is not a chaotic accumulation but the embodiment of the society's hopes.

Democracy is not, nor can it be, the preserve of developed countries. Those theories which maintain that there are historical preconditions linked to social, cultural, economic or political characteristics which favour democracy underestimate the impact of the processes of political transformation under way in many Third World countries. These countries, face to face with the challenge of having to build simultaneously—in periods of time which are almost insignificant within an historical perspective—the Nation, the State, adequate structures to ensure economic growth, social justice and supranational integration, have acknowledged the need to adopt a political system which is not only efficient but also capable of establishing fundamental values, both individual and collective, which will allow free reign to a fulfilling life. This is why Third World countries are more and more rejecting authoritarian regimes which contravene human rights and which have shown themselves incapable of solving basic economic and social problems.

Frequently, dazzled by the illusion of easy economic success, Latin American countries have succumbed to the temptation of abolishing all political systems. They believed that social and parliamentary debate were a waste of time and that the removal of all debate would save time and lead to greater efficiency. Time has shown implacably that public participation in debate and in the making of the nation cannot be removed without causing grave damage to all reasonable development.

It is now unanimously accepted that no one can separate economic and social development. No one, it should be said, must separate these two from political development and the construction of an overall democratic system. When elementary ethical principles are forgotten

and the means are separated from the ends (the process of development from the potential beneficiaries of that process; the political system from the life of the community) the horizon of the nation will darken and it is always the most vulnerable who pay the price.

It is precisely here at this conference, where the problems of transition to democracy in the Third World are to be analysed, that we must affirm our conviction of the necessity and possibility of democracy, both for economic development and for the achievement of a more just social order.

Certainly, it is not a matter of ignoring the problems or dealing with them indirectly. It is necessary to discuss, as you are about to, the implications of the legitimate fight for better living conditions and for consolidation of the democratic order; the way in which open expression of diverse interests can affect social solidarity; the manner in which military, political and ideological conflicts which are rocking the planet influence and impede advancement towards a firm democratic system; the relationship between the security of the state and its citizens and individual freedom; freedom of expression and the right to privacy; in short, the reconciliation of the aspirations to change which inspire us all, and the need to protect the roots which bind us to a past which can no more be renounced than can the nation itself.

This same debate which is about to begin is none other than the expression of the very democratic system that we are building; no one has been or should be excluded; every voice and every cause should be given a hearing so that, at the end of each day, we may acknowledge one another as members of mankind and members of the brotherhood of free men. I am convinced that these contributions from science, politics, or both, will be important elements in the theoretical explanation and in the political consolidation of democracy. With the participation of you all, the common desire which motivates us will endure and make its own contribution to the future of mankind.

So Buenos Aires will become for a few days the centre of international discussion and debate about the process of change through which the nations of the world are going, working towards the achievement of their rights and dignity. This is itself an incentive to strengthen our present movement towards the definitive consolidation of democracy.

We shall have the opportunity of exchanging experiences, communicating more clearly from the standpoint of the particular situation of each nation, but in the knowledge that we are living through

similar stages in our historical evolution, in both our achievements and our difficulties. For the subject that brings us together has the virtue of linking the accumulated thought and findings of 2,500 years of political science with the needs and problems of those countries that are boldly demanding growth, well-being and justice for their people. Historically, democracy has restored values which apply today: protection against all forms of arbitrary political power; notions of citizenship and political equality, leading to the fundamental principle of one person-one vote in the independent election of political authorities; the creation of a model of interaction between individual, society and state, through its forms of representation. In the twentieth century, democracies have succeeded in spreading to a significant degree those civil rights that are considered inalienable; the right to life, protection of the person, free expression and free association.

The correlation of all this is the possibility of massive popular participation in basic political activities, as demonstrated by the political parties and the right to vote in order to resolve fundamental political issues and to elect governing authorities. However, as we have already said, twentieth century democracy should not wear itself out with these fundamental matters, but should extend its activities to other spheres. Protection of the person acquires universal interest when the protection of the physical person against arbitrary political power is coupled with the safeguard of the basic necessities of the individual.

Contemporary democracy involves the search for satisfactory answers to the vital necessities of food, housing, education and health care. At the same time, democracy today stands for the participation of the people in decisions which affect their life today or the alternatives for their future. This calls for the cooperation of political parties and regional political groups, as well as that of other groups involved in the everyday life of our society. Democracy demands that everyone should play a more active role, in the family, at school, in the workplace, in voluntary organisations; in short, in every situation where decisions are made which in one way or another affect the life of the community.

At the dawn of the twenty-first century, the countries of the Third World must face the challenge of intricate and complex international conditions; they must seek out suitable forms of technology and solve the pressing problems posed by their societies. Thus it is essential to formulate entirely just policies, and, confronted with such a challenge, the democratic system has the particular virtue of safeguarding the



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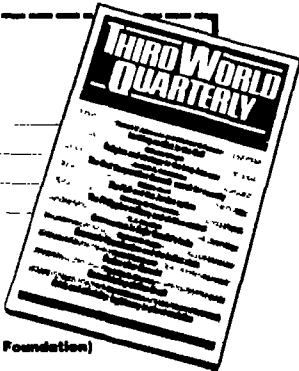
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interests of the many elements of the societies of Third World countries. Different cultural, religious, ethnic, linguistic and regional groups can actively make their own unique contribution to the shaping and achievement of national objectives within the political framework of democracy, due fundamentally to this system's institutionalised respect for diversity, tolerance and participation.

These ambitious but feasible political objectives call for painstaking work on the part of each society.

It is unrealistic to assume that the decline, crisis and defeat of authoritarian regimes and their replacement by democratic programmes necessarily means that democracy will survive in a society. The transition towards consolidation and strengthening of democracy is a complicated and risky process which inevitably calls for changes in political cultures, in the network of institutions and, fundamentally, in the adaptation of the political class to the new circumstances and requirements; all this against a background of international conflict, obvious economic difficulties and growing social expectations and demands.

The presence at this gathering of prominent and high-ranking specialists in the social sciences, political and military leaders, and economists, inhibits me from going into too much detail of the set of problems we are examining. But I am certain that in each of the coming sessions there will be valuable debates and exchanges from which we can gain illuminating insights and different ways of looking at a reality which calls on us to act, and that—with better alternatives arising out of this broad and many-sided dialogue—we, the politicians, can continue to surpass those goals already achieved and make constant and uninterrupted progress towards greater ones. We know that the success of this transition and stability for this change to freedom that we are carrying out depends in the end on our capacity to mobilise energy, resources and knowledge, and systematically organise ideas and devise concrete strategies for the attainment of our proposed objectives.

So I emphasise the fundamental contribution that politicians and society expect from you to enable them to continue on this different road in this new direction and to advance boldly towards consolidating the democratic system, building a system of economic growth with fair distribution of wealth, creating imaginative ways of participation and achievement of social dignity.

And if you ask me if this is possible, I would remind you of the Spanish

thinker who called 'Argentiniens, to work!', and said 'I do not know if it is possible, I only believe it is necessary.' And with this invocation let me emphatically declare that it will be possible because it is necessary.

**BRIAN HACKLAND, ANNE
MURRAY-HUDSON AND BRIAN
WOOD**

Behind the diplomacy: Namibia, 1983–5

In this paper we document and analyse the key developments affecting the struggle for Namibian independence since the beginning of 1983.¹ We aim to give an account of the dynamics of this struggle both within and outside Namibia. In many analyses of events in Namibia, the experiences and struggles of Namibians themselves are played down or go unreported. We try, therefore, to give these the prominence they warrant.

SWAPO (South West Africa Peoples Organisation) has been highly successful in isolating South Africa diplomatically so that no other state in the world now openly supports the illegal occupation of Namibia.² Nevertheless, while no country is prepared to admit support for the regime, South Africa has been able to maintain its occupation through the *de facto* support it has enjoyed in the West. In 1983–4 this was strengthened by a series of diplomatic successes for the then South African Prime Minister, P W Botha. These began with a secret agreement on security with Swaziland which led to the expulsion from that country of most of the active ANC (African National Congress) members resident there. Soon thereafter, Mozambique was battered into signing a public security pact in which, in exchange for the expulsion of ANC leaders from Mozambique, South Africa formally agreed to end its support for the Mozambique National Resistance (MNR). Attempting to use the same tactics against Lesotho, South African commandos launched an attack on homes in Maseru and its secret services began covertly supporting the Lesotho Liberation Army, an anti-government guerrilla group based in the Transkei bantustan. Lesotho refused to sign a security pact.

¹ The article was written in August and September 1985. We focus on the period 1983–5 to update and expand an earlier contribution by Randolph Vigne 'The Namibia file', *Third World Quarterly* 5(2) April 1983, pp 345–60.

² On 27 October 1966 the UN General Assembly revoked South Africa's mandate in Namibia. From that date its presence in the country became illegal. In 1969 the General Assembly decision was confirmed by the UN Security Council, and the illegality of the South African occupation was reaffirmed by the International Court of Justice in 1971.

Most important, however, from the point of view of the Namibian struggle, was an agreement between South Africa and Angola reached after a meeting in Lusaka in February 1984, in which South Africa agreed to end its occupation of a large area of southern Angola. Its withdrawal was to be completed in three months and to be monitored by a joint South African-Angolan force. South Africa's objective was to elicit an agreement from the Angolans to refuse guerillas of SWAPO's military wing, the People's Liberation Army of Namibia (PLAN) passage through the south of the country, in the hope that it would result in armed confrontations between PLAN and the Angolan army and sour relations between the Angolan government and SWAPO. Angola refused to sign such a pact, pointing out that the two countries had no common border and were in contact only because of the illegal occupation of Namibia.

Following the negotiation of agreements with Swaziland, Mozambique and Angola, South Africa sought to use these propaganda victories to project an image as a peace broker in southern Africa. Advocates of 'constructive engagement' held up the agreements as examples of the benefits of their approach, and the US claimed part of the credit by quietly acknowledging that it had put pressure on Mozambique and Angola to meet with South Africa and hammer out agreements. The final feather in Botha's cap was an invitation from his friends in Western Europe to make a tour of their countries in June 1984. Despite massive demonstrations in many European countries against this visit, South Africa regarded the tour as a triumph and the herald of a new era of acceptability in international circles.

The implications for SWAPO and Namibia were serious, as these events bolstered South African confidence that it could continue its occupation as before. In the course of his European tour, P W Botha had said of southern Africa: 'We are a regional power. It is our region.' South Africa was encouraged in its search for an internal settlement. US insistence on 'linkage', as well as the success of the carrot-and-stick approach in Mozambique, encouraged South Africa to increase its support for UNITA depredations in Angola. The prospects for peace seemed to recede further.

Political economy

The motivation of South Africa's three most consistent governmental supporters in the West, the US, Britain and the Federal Republic of Germany (FRG) were clear. These three were the core of the so-called

'Contact Group' (the other two were France and Canada—Germany had been the former colonial power). They were also the three countries (excluding South Africa) with the largest economic stakes in the country and in South Africa itself. This, together with strategic considerations and the fact that all three had their most conservative governments in decades (Reagan, Thatcher and Kohl) made them reliable partners in perpetuating the South African occupation.

Namibia's extractive colonial economy, developed for the benefit of foreign companies and white settlers, is in even deeper recession than South Africa's.³ The value of per capita output fell by over 20 per cent between 1977 and 1983 mainly because of the very high dependence on plummeting world commodity prices (90 per cent of goods produced are exported) in relation to prices of fuel, machinery and consumer durables (80 per cent of goods consumed are imported). This has been coupled with a long drought and a lack of investment confidence due to the ongoing war and political impasse. Unemployment is a staggering 40 per cent and inflation is 12 per cent and rising.⁴ The harsh effects of this on Namibia's black population are exacerbated by vast inequalities in income and wealth between black and white. Average income for the approximately 35,000 white households is some twenty times greater than for the 310,000 black households. Even the relatively new black middle class of civil servants, teachers and nurses, and 'Coloured' people in skilled manual jobs, comprising at most 50,000 households, earn per capita incomes of about a third of the white average.

Mining

Mining has been the largest source of foreign exchange over the post-war period, but the recent recession has driven down its share of GDP from about a third in the late 1970s to about a quarter in 1983. Mine employment fell from 21,000 in 1977 to 15,000 in 1984.⁵

The mining sector is dominated by just three companies which are mainly under mixed South African and British financial control.⁶ Diamond mining, at four locations on the extreme southern shores, is monopolised by Consolidated Diamond Mines (CDM), owned by the De Beers conglomerate, which is in turn part of the Anglo American

³ One of the sources used for this section is a confidential memorandum on the economy.

⁴ *Reuters*, 22 July 1983.

⁵ See, for example, *Windhoek Advertiser* 9 December 1983; and *Windhoek Observer* 10 December 1983; *Rand Daily Mail* (Johannesburg) 6 January 1984.

⁶ Catholic Institute for International Relations, *Mines and Independence*, London, 1983.

Corporation. Production has decreased in volume from 2 million carats in 1977 to 0.93 million carats in 1984, declared profits falling from R162 million in 1978 to R33 million in 1984. However, these figures have recently been shown to be highly misleading, in evidence to the Theron Commission of Inquiry into Malpractices and Misappropriation of Public Funds. The commission was set up in 1983 to investigate the rapidly deteriorating state of public finance in the territory.⁷ Evidence submitted indicates that CDM has been consistently overmining deposits and has greatly understated the extent of its production and of the selling price of its diamonds, 98 per cent of which are of gem quality. This has been possible because the quasi-state Diamond Board (run by De Beers personnel) has not provided adequate auditing or customs checks on diamonds exported from Namibia, and does not state the selling prices obtained by the Central Selling Organisation (CSO) in London (the CSO, also controlled by De Beers, is a cartel covering virtually all diamond sales and which has stockpiled massive quantities of Namibian gems in order to maintain world prices). The cover-up is assisted by the existence of an intermediary merchandising firm handling all southern African diamonds, the Diamond Purchasing and Trading Company (PTRA), another De Beers subsidiary, which exists only on paper but is paid 10 per cent of the total value of Namibian diamond production, a ploy designed to avoid profit tax in Britain. Between 1973 and 1980, CDM accounted for 47 per cent of De Beers' revenue but only 14 per cent of De Beers' carat production. It is alleged that huge transfer pricing by CDM has helped reduce its tax payments in Namibia from R163 million in 1978-79 to R33 million in 1983-84. Its contribution to Namibian state revenue has fallen from 40 per cent in 1980 to only 9 per cent in 1984.

This reduction in CDM's importance to state revenue is partly due also to the rise of tax revenue from the relatively new Rossing Uranium Ltd., whose majority shareholder is Britain's mining giant Rio Tinto Zinc (RTZ). Total of France, Urangesellschaft of West Germany and the state company Gencor of South Africa own smaller shares.⁸ Rossing has a capital of R1 billion and reserves sufficient for production to at least 1990. Here again, as the world market price for uranium oxide has steadily dropped, profits have fallen from a peak in 1982 so that by early 1985 they reached their lowest point for a decade. Rossing has had to

⁷ *Windhoek Advertiser*, 26 and 28 June 1985, 2 July 1985.

⁸ CIIR, *Mines and Independence*, op. cit.

renegotiate its secret long-term contracts with nuclear utilities in the major Western countries as a result. Company tax payments by Rossing were deferred between its first year of production in 1978 and 1983 to allow it to recoup all of its initial investment expenditure. Nevertheless, it paid R30 million in company tax in 1983, but kept the payment secret hoping to avoid international condemnation for such overt support for the illegal regime. Rossing has recently refused to give production figures at the RTZ Annual General meetings in London.

The third major mining company in Namibia is the Tsumeb Corporation Ltd (TCL), which is mostly owned by Gold Fields of South Africa Ltd (GFSa) (43 per cent) followed by the US firm Newmont (33.1 per cent) and then BP Mineral Services Ltd (14.5 per cent). Consolidated Gold Fields (Cons Gold) of the UK owns nearly half GFSa as well as 20 per cent of Newmont, so can have considerable influence over TCL. The South African multinational, Anglo American, in turn, holds a controlling share of Cons Gold. Tsumeb operates five base metal mines, mainly producing copper, lead and zinc and a large smelter, and is Namibia's largest private employer. The spell of low world base metal prices was, it was claimed, responsible for a loss of R8 million in 1984. However, once again, the Theron Commission heard evidence from the Department of Geological Survey that the metal ingots shipped abroad by TCL had never been analysed, despite the fact that they contained silver and gold. There is also some doubt that the TCL has provided adequate figures on the production of its secondary minerals—such as germanium dioxide, cadmium and arsenic.

While the big triumvirate of mining firms can afford to offer slightly better working conditions for black employees and is concerned to project a philanthropic image in Namibia by sponsoring some education projects, it has been widely criticised for plundering the country's irreplaceable minerals, financing the racist regime through a variety of taxes, and cooperating with the police and army.⁹

In April 1984 it was reported that the 'Kudu' gas field, 120 km off the southernmost Namibian shore and 2.8 km inside Namibian waters, could become a major commercial source of liquid fuel for South Africa. The field was known to exist from 1974 but recently the South African state-owned oil exploration company, Soekor, had encourage further development drilling in cooperation with the US-based Chevron

⁹ See, for example, Brian Wood, 'The militarisation of Namibia's economy' in *Review of African Political Economy*, 29 July 1984.

Oil Corporation. However, Chevron has said it won't participate further in development work on the 'Kudu' field because it is 'non-commercial'.¹⁰ While the reports are therefore mixed, it seems that Soekor are proceeding with further development work, most likely with other Western oil companies which have the necessary expertise. But great secrecy surrounds the project. A British bank, Samuel Montagu, are reported to be arranging finance for this work and Soekor are said to be keen to link the field up to a liquification plant based in South Africa so as to also service the potential Mossel Bay field.¹¹ South Africa's lack of any natural supply of liquid fuels and its vulnerability to an effective oil embargo, make the speculation surrounding the 'Kudu' project highly significant politically, if it is viable, since the Pretoria government would try to use this as another reason to delay or check Namibia's full independence.

Agriculture and fishing

Six years of drought in many parts of the country, depressed prices, and the war in northern regions have seriously affected agriculture (now about 8 per cent of GDP). Namibia has about 5,000 huge white-settler ranches, 20,000 small black-owned stock-raising households in the southern bantustans and 120,000 black households engaged in mostly subsistence mixed farming on just 5 per cent of the viable farmland in the far north.¹² The white settler farmers have always enjoyed state subsidies, but as their numbers have declined, the subsidies have increased to as much as R35,000 per ranch per year, even though their total debts topped R200 million in 1984. By contrast, so-called 'Coloured' farmers had their subsidies abolished in March 1985, most black stockholders in the south lost their animals to the drought and the most populous region in Namibia, Ovamboland, was so overcrowded and disrupted by the war that at least one-quarter of its food had to be imported.

The fishing industry was concentrated inshore and consisted of catches of pilchard, anchovy and rock lobster. It is, however, controlled by South African companies which overfished to such an extreme that the decline in fish stocks reduced the industry's share of GDP from 10 per cent in 1975 to 2½ per cent in 1984. Namibia does not yet benefit

¹⁰ *Windhoek Advertiser*, 22 April 1985.

¹¹ *Windhoek Advertiser*, 30 January 1985 and *African Business* (London) March 1985.

¹² Richard Moorsom, *Transforming a Wasted Land*, London: CIIR, 1982.

from its offshore fishing potential where, within its future 200-mile zone (not proclaimed because of the illegal occupation) the fleets of 17 nations reap a total sales value from horse mackerel and hake which is even bigger than that of Namibia's diamond industry.¹³ Meanwhile, four-fifths of the workers in the fishing industry have lost their jobs since 1975.

Manufacturing

Manufacturing in Namibia is very small, only 6 per cent of GDP, and consists mainly of small food processing plants and workshops. Its growth has been restricted by South African industrial domination of the region. Even the small plants which exist have been hit by the recession, as have the construction firms.

Commerce and banking

The commercial and banking sector (one-third of GDP) is dominated by two jointly South African- and British-owned banks, Barclays and Standard Chartered, plus both British and South African insurance companies. Most bank funds are invested in South Africa (40 per cent of Standard's profits left the country in 1982-3) and expansion in the rest of the commercial sector has been severely limited by the racially structured consumer market and sharply rising sales tax rates.

State expenditure

The fall in tax revenue for the state administration due to the slump and drought has come at a time of severe political crisis (described in detail below). The South African authorities and their chosen proxies in the Democratic Turnhalle Alliance (DTA) tried to solve the political crisis by increasing state expenditure by 75 per cent between 1980 and 1983 the bulk of it on the ten ethnic administrations and on military-related infrastructure like roads in the north. With state spending suddenly running at almost 60 per cent of GDP, almost twice the sub-Saharan average, and state departments hopelessly straddling Pretoria, Windhoek, ten ethnic authorities and even more municipal authorities,¹⁴ an orgy of over-employment, mismanagement and corruption resulted, which the Theron Commission was called in to unravel.¹⁵ The shortfall in revenue was made up by accumulating a huge

¹³ Richard Moorsom, *Exploiting the Sea*, London: CIIIR, 1984.

¹⁴ *Namibia News Briefing* (London) (hereafter *NNB*) July 1983.

¹⁵ *NNB*, September 1983.

loan burden, now in the region of R1,000 million, requiring annual repayments of about R185 million (and increasing as the Rand falls in value) out of an estimated expenditure of R1,177 million and revenue income of about R600 million. These sums are only balanced by subventions totalling R658 million from the South African state, made up mostly of direct grants and customs dues. The latter are really recycled revenues which an independent Namibia would get anyway, while the former, like the further R480 million grant for 'police and defence',¹⁶ are the price Pretoria pays to prop up a colonial system rejected by most Namibians. The R480 million grant for 'police and defence' expenditure did not nearly reflect the cost of the South African state's war in Namibia (and its extension into southern Angola). One British economist estimated the true cost at over R2 billion per year, 9 per cent of the entire South African state budget, and over R5 million per day.¹⁷ This huge indebtedness will be a major problem for an independent Namibia. Already SWAPO has stated that it will not repay debts incurred under South Africa's illegal occupation and it undoubtedly has a watertight legal case to renounce such foreign debts.

Repression and war

In April 1983, the Attorney-General in Namibia warned of a 'breakdown in law and order' due to the war, with 85 per cent of Supreme Court cases relating to crimes committed in the 'Operational Area' (war zone). At the same time, the Bar Council stated that it was 'shocked at the instances of abuse of detainees and rape or death in detention', which made up the majority of criminal cases in the Supreme Court.¹⁸ Yet the instances of South African-controlled war criminals being brought to court cannot be seen to reflect the extent of atrocities and violations of human rights. Many victims are either too poor, too unfamiliar with legal processes conducted in a foreign language, or too afraid of further victimisation, to report their experiences. In April 1985 a British clergyman, the Reverend John Wheeler, returned from a visit to Namibia and described 'a pattern of harassment which has bred tremendous fear'.¹⁹ Two Namibian bishops

¹⁶ South African House of Assembly Debates, Hansard, Col. 2026, 11 July 1984.

¹⁷ *NNB*, February 1985; *SWAPO Information Bulletin*, Luanda, January 1985, 'Liberation war exerts heavy pressure on South Africa.'

¹⁸ *Financial Mail* (Johannesburg) April 1983.

¹⁹ *NNB*, April 1985.

in a letter to *The Times* (London) in 1984 similarly described how the South African-controlled terror squad *Koevoet* (Afrikaans for 'Crowbar') pillaged, raped, bayoneted and burnt people alive in northern Namibia. As a result, they wrote, the South African presence was not welcomed by Namibians: 'All personnel who come generally under the umbrella of South Africa . . . are regarded by most people as having no right to be there, and to some degree, as being the real "enemy"'.²⁰ Even the Bar Council in Namibia reiterated these sentiments in 1984, saying that the police and the entire judicial system were 'suspect in the eyes of the overwhelming majority of the people'.

The South African reign of terror is designed to paralyse organised resistance within Namibia, and includes severe restrictions on movement within the territory. The latter was exacerbated in 1985 by the promulgation of the new law, 'AG 28', preventing non-residents from entering the northern bantustans without police passes.²¹ The Prohibition and Notification of Meetings Act of 1981 has been used almost exclusively to prevent SWAPO meetings and rallies: it was even used to round up 34 SWAPO leaders at a barbecue in June 1985.²² The month before, the regime had announced its intention to use the act to prosecute three SWAPO members following celebrations in Windhoek's Katutura township to mark the movement's 25th anniversary.²³

War atrocities

The reality of mass support for SWAPO means that, in the eyes of the occupying armed forces, all black Namibians are potential enemies, resulting in atrocities so extreme that they defy imagination. In 1983, a 63-year-old man, Ndara Kapitango, was roasted on a fire by two soldiers of the South West Africa Territory Force (SWATF), who also raped his wife.²⁴ Brutality and sadism of this kind have become part of the culture of white rule, internalised in many cases by collaborationist Namibians recruited by the South African armed forces. Atrocities are not merely confined to the war zones, but, as was stated in the Appellate Division of the S.A. Supreme Court in 1984, are 'considered normal practices' by many white employers. These were the words of Mr Gart

²⁰ *The Times* (London) 5 January 1984.

²¹ *Windhoek Advertiser*, 12 and 15 March 1985.

²² SWAPO statement, London, 11 June 1985.

²³ *Windhoek Advertiser*, 9 May 1985.

²⁴ *Rand Daily Mail* (Johannesburg) 2 May 1984.

Burger for the State, when he ruled that the six-year sentence imposed on farmer Jacobus van Rooyen for the murder of Kasire Thomas should not be increased. Van Rooyen killed Kasire Thomas, a short-term prisoner doing weekend labour on his farm, by brutally torturing him, chaining him at the neck and forcing him to give the SWAPO salute before he died of his injuries.²⁵ In 1983, after three SWATF soldiers raped a 62-year-old woman and brutally assaulted her husband, the State Advocate said that rape charges were increasingly prevalent, accounting for 42 per cent of cases in the Supreme Court.²⁶ The *Windhoek Observer*, one of Namibia's few independent newspapers, which dared to publicise accounts of incidents such as these, was banned in September 1984. It has subsequently been allowed to resume publication, its coverage of political developments in general and repression in particular severely curtailed. Although Pretoria continues to kill, maim, torture and terrorise Namibians, it is anxious to avoid the adverse publicity emanating from these policies.

Legal sanctions have increased the powers of the armed forces to detain, interrogate and even kill, and the police and the army have become virtually a law unto themselves. Eighty per cent of Namibians are now living under martial law. Because SWAPO's guerrilla war is so effective, and because the South African-controlled forces are seldom able successfully to confront PLAN in direct combat, the regime's forces are effectively waging a war against all Namibians, and civilians are easy targets. Similarly, discrediting SWAPO and trying to deprive PLAN of its popular base have become an integral part of South African military strategy.

In June 1983 an Inspector Nel of the police 'security' service, cross-examined during the trial of a SWAPO combatant, admitted that *Koevoet* members made a practice of disguising themselves as SWAPO fighters, and that the so-called 'Takkie Squad' of South African soldiers had used SWAPO boots and AK 47 rifles when committing assassinations.²⁷ Other trials of *Koevoet* members have also provided evidence of this tactic.²⁸ In one such trial, the court was told that *Koevoet* employs 'skilled interrogators' as well as 'specialist exterminators'.²⁹ In December 1984 *Koevoet* member Jonas Paulus told

²⁵ See Jacobus van Rooyen case, *NNB*, November 1984.

²⁶ *NNB*, October 1984.

²⁷ *NNB*, July 1983.

²⁸ *Windhoek Advertiser*, 22 and 23 September 1983.

²⁹ *The Guardian* (London) 11 October 1983.

a court that there was a system of bounty payments in operation in the war zone, including a reward of R2,000 for killing a 'guerrilla' (which has often meant a civilian).³⁰ Even the South African-sponsored Multi-Party Conference (see below) in the wake of adverse publicity abroad, has found *Koevoet* an embarrassment and indicated a wish to disband it. However, in April and May 1985 the South African Minister of Law and Order announced that its members might be 'seconded or transferred' to the South West African Police, but that the unit would remain intact and continue 'similar operations'.³¹

In its efforts to win an unwinnable war, the South African army has resorted to chemical warfare.³² In 1983, Angola accused South Africa of using 'paralysing chemical weapons' against Angolan troops and civilians, and in June 1984 the UN Council for Namibia said that chemical gases were 'repeatedly' used during SA operations.³³ Military takeover of Namibia's few social services has increased the scope for intimidation. The war itself is a major contributing factor to ill-health in Namibia, as evidenced in the 1983 outbreak of bubonic plague.³⁴ In October 1983, the regime announced plans for a complete military takeover of health services, aiming simultaneously to deny possible assistance to wounded SWAPO combatants, to push out the church mission services which have increasingly drawn attention to atrocities by the South African-controlled armed forces, and to promote its floundering public relations exercises. The presence of armed soldiers teaching in schools has been described by many young SWAPO exiles as a factor in school boycotts and decisions to escape into exile.³⁵ The inferior and inadequate education system has been disrupted even further through the war, which has led to the closure of some schools and greater under-resourcing of others.³⁶ Other ways in which the war has taken its toll on ordinary Namibians include forced removals of civilians from areas they have cultivated, the burning and destruction of crops, and South African army interference in water supplies. With forced removals resulting from military activities, squatter camps with desperately unsanitary conditions—those around Oshakati and

³⁰ *The Observer* (London) 4 December 1983.

³¹ *Windhoek Advertiser*, 19 April and 2 May 1985 and *BBC Monitor*, 22 April 1985.

³² See back copies of *Resister*, the journal of the Committee of South Africa War Resistance, London.

³³ *Rand Daily Mail* (Johannesburg) 30 June 1984.

³⁴ *Windhoek Advertiser*, 3 September 1983.

³⁵ *Action on Namibia*, 'Education and Culture', Namibia Support Committee, 1983.

³⁶ Barbara König, *Namibia: The Ravages of War*, London: IDAF, 1983.

Ondangua alone housing over 6,000 people in 1983—have been created.³⁷

The militarisation of Namibian society has also limited the already narrow options open to workers. Job seekers have, historically, sought employment in the white-owned mines and industries of central Namibia. The necessity of migration southward has increased with the destruction, through war, of the economy of the north. In the 'white' urban areas, black workers today face not only police harassment and unemployment, but conscription into the army. Despite this, there is an increasing influx of 'illegals' into central Namibia, including hundreds of women, fleeing the violence of more intense warfare further north. Uncertainty and insecurity have thus become more intense for Namibia's population as a whole.³⁸

Conscription

The process of 'Namibianisation' of South Africa's war against Namibians has not been successful, despite recruitment of several thousand young Namibian men, driven into military service by poverty, unemployment and fear. A SWATF spokesman announced in 1984 that all attempts to avoid a South African registration of all potential conscripts to the military would be 'investigated' and threatened punishments of six months prison or a heavy fine.³⁹ All political groupings in Namibia, except the DTA, have opposed registration, and reports from SWAPO settlements indicate that the policy has led to an increase in the numbers of young men fleeing Namibia. Registration was suspended at the end of 1984, ostensibly to facilitate a review. Parents and teachers have protested against it, and the brave stand of a SWAPO member, Eric Binga, against conscription has highlighted popular opposition. Declaring himself to be a card-carrying member of SWAPO, Binga made a legal application against conscription. His father, Eduard Binga, supporting the application, explained that Eric's brother Ismail was a member of PLAN, and that the two brothers could not fight one another in a war which is 'the result of the unfair treatment our people are receiving in this country due to the laws of South Africa'. The appeal was dismissed in June 1984, but Binga's lawyers have reportedly applied for a higher-level appeal.⁴⁰ Hundreds of other young

³⁷ A Murray-Hudson, 'SWAPO: solidarity with our sisters', *Review of African Political Economy* (27-28) 1984.

³⁸ Kong, *Namibia*, *op. cit.*, pp 37-9.

³⁹ *NNB*, December 1984.

⁴⁰ *Rand Daily Mail* (Johannesburg) 22 June 1984.

Namibians lacking such access to courts had hoped that this case, heralded by the media in both South Africa and Namibia, as a 'historic' challenge to *apartheid* rule, would set a precedent alleviating them of the dilemma posed by conscription.

Political prisoners

The developing crisis in southern Africa, which has shaken the confidence of investors in the *apartheid* economy, has also increased the regime's sensitivity to international pressure. As anxiety over South Africa's conduct in Namibia has mounted, Western governments have sought to persuade it to modify some of its less popular practices. Overtures for the release of political prisoners by the British, American and other governments have been prompted by campaigns by the solidarity movements, which have been to significant effect in recent years. In October 1984, following a sustained campaign, particularly by activists in Britain and the US and lasting over six years, the prisoners of war taken during the South African raid on the Kassinga refugee camp in southern Angola were finally released.⁴¹ Responding to the growing anti-apartheid lobby in the USA, the US House of Representatives had passed a resolution calling for the release of Kassinga detainees, and for South African compliance with the UN Charter, the Universal Declaration of Human Rights and the Geneva Conventions of 1949.⁴²

While some Namibians, through their status as sentenced political prisoners, or because of having been a focus for international campaigns for other reasons, have been able to win their freedom from incarceration, hundreds more remain anonymous in detention centres, facing torture and possible death. As reference to statements of the Bar Council indicates, the notion of 'recourse to law' as a means to protect the rights of civilians is hardly applicable in Namibia.

Costs to South Africa

An article in the *Africa Contemporary Record* estimated South African troop losses in Namibia since SWAPO began its armed struggle in 1966 at 2,500,⁴³ while the total number of deaths in the Namibian war, the majority of them civilian, was estimated in 1983 at 10,000.⁴⁴ The economic cost to South Africa of the war in Namibia has been

⁴¹ *Rand Daily Mail* (Johannesburg) 18 and 19 September 1984; *SWAPO Information Bulletin*, December 1984, 'The Mariental detainees'.

⁴² *NNB*, October 1984.

⁴³ *NNB*, February 1985.

⁴⁴ *The Times* (London) 20 September 1983.

mentioned under 'Political economy' above. As the Rand plummets and Pretoria's indebtedness increases, with the entire apartheid economy in crisis in 1985, the financing of the war in Namibia becomes even more onerous. In addition to these economic factors, South Africa's white population is facing a crisis of morale, deepened by the disillusionment of its armed forces.⁴⁵ Many young white conscripts, caught in the contradiction between Pretoria's intention to retain its domination of Namibia and its hypocritical utterances about the need for self-determination, are unwilling to give their lives for South Africa's Vietnam.⁴⁶ In April 1983, for example, there were 355 men in South African Defence Force detention for refusing to undergo military training.⁴⁷

The enormous cost of the war to South Africa is in large part due to the effectiveness of SWAPO's armed struggle. For example, just one of SWAPO's 1983 bomb attacks in Windhoek, Namibia's capital, caused an estimated R60,000 worth of damage, although there were no casualties.⁴⁸ In October that year, the *Windhoek Observer* attributed the South African military's defoliation of a 600 metre swathe along a main highway in the north to 'increasing appearance of SWAPO insurgents in the area . . . [and] several attacks, most of them successful'.⁴⁹ A year later, SADF chief Viljoen was admitting that despite on-going 'counter-insurgency' campaigns, SWAPO combatants remained active in northern Namibia.⁵⁰ A SWAPO press release issued in the same month stated that seventy-one South African troops were killed and fifty-seven injured in July 1984. On 4 October 1984 the main water supply to 350 farmsteads in the north was cut by a bomb explosion. In February 1985, PLAN successfully shot down an Impala jet, derailed a goods train and bombed the post office serving the South African military base at Ondangua.⁵¹ PLAN regularly issues reports of its operations but these are not reported in the Western media.

South African military bases in northern Namibia have an additional function in Pretoria's regional strategy: they are used as a launch pad for

⁴⁵ For elaboration on the state of South African troop morale, see back copies of *Resister*, *op. cit.*

⁴⁶ Information gleaned in discussion with South African soldier, whose identity is currently confidential.

⁴⁷ *Star* (Johannesburg), 2 April 1983.

⁴⁸ *NNB*, August 1983.

⁴⁹ *Windhoek Observer*, 15 October 1983; *Rand Daily Mail* (Johannesburg) 19 October 1983.

⁵⁰ *BBC Monitor*, 5 October 1984.

⁵¹ *NNB*, February 1985. These are examples of just a few actions regularly reported in the monthly journal of PLAN, *The Combatant*, and occasionally in newspapers in Namibia.

attacks on Angola and to provide logistical support and training for the Unita forces engaged in sabotage of the MPLA's thwarted attempts at national reconstruction. South African strategy in Angola is, in part, designed to undermine that country's support for Namibian liberation. In addition, however, it is part of a regional strategy for control, intended either to overthrow or to severely weaken independent states in the subcontinent with the aim of bringing them into South Africa's economic and political orbit. To this end, South African forces have been in continuous military occupation of parts of southern Angola since 1981, and have provided technical and logistical backing and even personnel for Unita raids as far north as Luanda and Cabinda. December 1983/January 1984 brought one of the largest South African offensives, following an MPLA warning of this threat in July 1983. The invading force consisted of around 10,000 troops, engaged in heavy bombing and shelling of several Angolan towns.⁵² The offensive had actually begun in August, in tandem with a Unita attack on Cangamba. Despite South African claims about the bombing of a 'SWAPO Headquarters' in December, not a single Namibian was killed, the attack being directed against the Angolan civilian settlements. The offensive was going on at the very time when South Africa was proposing at the UN a 'mutual force disengagement on the Namibia/Angola border as the first step in a peaceful independence settlement for Namibia.'⁵³ In January 1984, *Resister*, journal of the Committee on South African War Resistance, reported further evidence of the collaboration between Unita and the South African military, commenting on an article in *Soldier of Fortune* where an American mercenary described his training in Namibia and subsequent leadership, still under South African Defence Force command, of Unita forces in Angola.

In February 1984, following South Africa's 'disengagement' undertaking with Angola, a Joint Monitoring Commission (JMC), to monitor supposed South African troop withdrawal from Angola, conditional upon Angolan prevention of alleged SWAPO infiltration into northern Namibia from Angola, was set up. SWAPO, which had never been party to any ceasefire agreement with South Africa, despite the movement's offers to do so, continued its military operations within Namibia, arguing that these were launched not from 'bases' within

⁵² ANGOP statement, 1 January 1984.

⁵³ *N/NB*, Special Issue, January 1984.

Angola, but by combatants already infiltrated into Namibia and based among the Namibian masses. Ongoing SWAPO attacks were used by Pretoria as a justification for its delay in implementing the 'disengagement' agreement with Angola.⁵⁴ By May 1984, South African troops were still in Angola, the Angolan news agency ANGOP complaining of a massive influx of South African-backed Unita forces into the occupied areas.⁵⁵ In June 1984 President Dos Santos said that South African forces were still some 40 km inside Angola, and added that Unita saboteurs were still being infiltrated.⁵⁶

In October and November, as the occupation continued, the Angolan government reiterated its terms for a solution, as defined in 1982: withdrawal of South African forces from Angola, cessation of support for Unita; implementation of the UN independence plan as contained in Resolution 435; and phased withdrawal of Cuban forces from Angola when UN forces were in place in Namibia.

In January 1985 South African troops in Namibia held a major military operation, code-named 'Fist Showing' (Vuiswys) designed as a show of force and directed at Angola.⁵⁷ In April, South African forces claimed to have withdrawn from Angola, and the Joint Monitoring Commission was disbanded in mid-May. By this July, however, according to SWAPO sources, South African troops remained in Angola, having attacked Angolan forces up to 40 km inside that country at the end of June.⁵⁸ The debacle of the recent 'Unita' attack on Cabinda brought more evidence of South African involvement in actually manning Unita to headlines in the press all over the world.

Internal political developments

While SWAPO has escalated all aspects of its threefold strategy (armed struggle, internal political mobilisation and international diplomatic and economic pressure), to increase the costs to South Africa, the latter has pursued a counter-strategy of 'Namibianisation' of the conflict in an attempt to reduce those costs. At a political level South Africa's efforts have been directed to the creation of an anti-SWAPO third force. The existence of this third force depends upon Pretoria's ability to build a

⁵⁴ *NNB*, April 1984.

⁵⁵ *The Guardian and Financial Times* (London) 10 April 1984.

⁵⁶ ANGOP statement, 21 June 1984.

⁵⁷ *Windhoek Advertiser*, 16 January 1985.

⁵⁸ *NNB*, July 1985.

repressive client state machine in Namibia. It hopes that this will either be strong enough to resist SWAPO altogether, or, at least, to weaken it sufficiently in elections to deny it effective control of an independent Namibia.

South Africa's first vehicle for an internal settlement was the DTA-dominated Council of Ministers which finally collapsed in ignominy in February 1983, brought down by its demonstrable lack of political support in the country, and by the corruption, incompetence and squabbling of its constituent parties and personalities.⁵⁹ Eventually, even South Africa decided that it had become counter-productive, and the Administrator-General (AG) of Namibia revoked the powers of the National Assembly and Council of Ministers and assumed direct rule by decree.

State Council

In July 1983 the AG announced the creation of a State Council with a brief to produce 'comprehensive proposals' for an 'interim government'. The proposals were to be submitted to him for approval and to be followed by a referendum to allow the electorate to choose between them and those contained in UN Security Council Resolution (UNSCR) 435. As with previous South African-sponsored elections, the objective was to attempt to legitimise, with a tightly controlled 'referendum', a new structure for proxy rule in Namibia which could be sold overseas as an acceptable alternative to the UN plan. The State Council was to have fifty-two members allocated according to the discretion of the AG and nominated by internal parties acceptable to South Africa. However, when even the DTA decided against involvement in the State Council, South Africa was forced to abandon the plan.

Multi-party conference

Instead it began to encourage a third initiative which followed the call, in September 1983, for a conference of seventeen small internal parties to formulate proposals for independence. Significantly, parties refusing to join the conference, whether on its right or left, were united in seeing it as an initiative from South Africa rather than from Namibians, as was claimed. SWAPO's Secretary for Foreign Affairs, Nico Bessinger, termed it 'Pretoria's latest neo-colonial scheme' designed to 'form an

⁵⁹ See Vigne, 'The Namibia file'. *op. cit.*

anti-SWAPO front', while the extreme right South West Africa Herstigste Nasionale Party (SWAHNP) dismissed it as an attempt to get the 'still-born State Council to arise from the dead'.⁶⁰

The Multi-Party Conference (MPC), as it became known, was finally launched on 12 November 1983 with, however, only seven participating parties: the DTA, the South West African National Union (SWANU), the Damara Council, SWAPO-Democrats (SWAPO-D), the Namibia Christian Democratic Party (NCDP), the Labour Party and the Rehoboth Liberation Front, none of which command mass support. While it was later joined by the SWA National Party (SWANP), representing most whites in Namibia, the NCDP soon left, attacking the DTA for working with the security police to crush opposition parties and expressing disquiet at the funding of the MPC by the Hans Seidl Foundation, an organisation closely associated with the right-wing Christian Socialist Union of the Federal Republic of Germany.⁶¹

In March 1984 South Africa released Andimba Toivo ya Toivo and other Namibian political prisoners in a transparent attempt to bolster the status of the MPC. Stating that the releases were in response to requests from the MPC, South Africa hoped that Ya Toivo and others, after eighteen years in prison, could be manoeuvred into criticism of SWAPO's leaders and used to create divisions in the liberation movement. However, Toivo declared his allegiance to SWAPO and support for its President, Sam Nujoma, and was subsequently elected its Secretary-General. As part of its new initiative, South Africa, in the same month, conducted what must be the most bizarre opinion poll ever. Troops rounded up 1,000 civilians in the Ovambo region of the north of the country. Holding them at gun-point, the soldiers then asked each whether they would vote for SWAPO or candidates of the 'internal parties' in an election. Each person was photographed and their name and answer recorded.⁶²

The MPC's decision to draw up a new constitution for Namibia to counter UNSCR 435 led to growing dissatisfaction within some of its constituent parties. In late March 1984 the Damara Council withdrew declaring its support for Resolution 435 and denouncing the MPC as an anti-SWAPO front. Opposition to SWANU participation grew among

⁶⁰ *Rand Daily Mail* (Johannesburg) 15 September 1983; *Windhoek Advertiser*, 3 and 5 October 1983.

⁶¹ *Action on Namibia*, 10 June 1985, 'Null and void: South Africa's internal settlement in Namibia'.

⁶² *Reuters*, 24 March 1984.

its members and came to a head when, at a special congress, the former leader, Moses Katjiuongua, was replaced and the party withdrew from the MPC. Katjiuongua refused to acknowledge his demotion, however, and with a rump of supporters remained in the MPC, still calling his group SWANU. Despite the fact that fourteen of a former eighteen SWANU branches backed the new president, Kuzeeko Kangueehi, and despite a High Court ruling that Kangueehi and his associates were the legal office-bearers of SWANU, South Africa continued to claim SWANU participation in the MPC under Katjiuongua.⁶³

The Lusaka talks

The immediate source of the SWANU split was talks involving SWAPO and South Africa (represented by the MPC) in Lusaka in May 1984. These were called by the Zambian President, Kenneth Kaunda, in an attempt to speed a settlement in Namibia. Kaunda agreed to host the talks without UN participation, a move potentially dangerous to SWAPO as it threatened to undermine Resolution 435. At the talks, however, representatives of the NCDP, the Namibia Independence Party, the Federal Party, the Damara Council and SWANU joined the SWAPO delegation to sit opposite representatives of the MPC led by Katjiuongua, a surprise development which SWAPO turned to its advantage. The talks foundered on the South African delegation's insistence on linkage and its refusal to agree to the immediate implementation of Resolution 435. They were a deep embarrassment to the South Africans, because they highlighted, once again, the breadth of SWAPO support compared to that of the South African-sponsored MPC. This was further strengthened by the later emergence of an informal alliance between SWAPO, the Damara Council and SWANU.⁶⁴ In September 1984, following the removal of its old-guard leadership, SWANU decided unanimously to work closely with SWAPO for the liberation of Namibia.

The 'transitional government of national unity'

Despite the setbacks for the MPC, the South Africans decided to press ahead with the formation of what was termed a 'Transitional Government of National Unity' (TGNU), based on the constitutional proposals formulated by the MPC in earlier sessions. A cabinet with

⁶³ *Action on Namibia*, 10 June 1985, 'Null and void', *op. cit.*

⁶⁴ *Africa*, June 1984.

eight members, three from the DTA and one each from the other five participating parties,⁶⁵ was nominated by the participants, along with sixty-two representatives sitting in an unelected 'Legislative Assembly' and a 'Constitutional Council' of sixteen nominated from the assembly. Despite claims that the introduction of the internal government constituted, in practice, a transfer of executive authority, South Africa retained control of all the most crucial portfolios. Foreign affairs and all international negotiations on Namibia remained the prerogative of the South African government, as did 'defence'. Control over finance was retained indirectly through control of the amounts voted by the South African parliament for Namibia which were essential to its financial solvency. 'Internal security' was retained in South African hands through the maintenance of secondments of South African personnel at the highest levels to the SWA Territory Force (SWATF-military) and the SWA Police (SWAP).⁶⁶

On its formation on 17 June 1985, the TGNU was very much the opposite of what its name was intended to imply. It was a collection of a few minority parties prepared to collaborate with South Africa. Sam Nujoma suggested that among them, the six parties commanded at the most the support of 80,000 of the 1.5 million Namibians, a mere 5.3 per cent of the population. It was announced that there would be no South African-sponsored elections prior to the formation of the internal government because it sought to promote 'national reconciliation'.

The MPC government was divided on almost every issue of importance to the Namibian people. Most importantly, there was disagreement on the appropriate attitude to the apartheid provisions contained in proclamation AG8, which laid down the basis for the eleven 'tribal' administrations of the second tier of government in Namibia. While some members said that the apartheid divisions would be abolished immediately, the SWANP made it clear from the start that it had decided to participate in the MPC specifically to defend white privileges and the separate administration and facilities for whites. Similar dilemmas with respect to repressive legislation and especially proclamation AG9 (allowing indefinite detention without trial), presented themselves from the start. While some black members of the MPC wanted to abolish these unpopular provisions, thereby trying to increase the popularity of the TGNU, other participants objected on

⁶⁵ These were SWAPO-D, SWANP, SWANU-Katjuongua, the Labour Party and the Rehoboth Liberation Front.

⁶⁶ *Action on Namibia*, 10 June 1985, 'Null and void', *op. cit.*

the grounds that such provisions would continue to be necessary for them to retain control in Namibia.

Divisions continued at the press conference after the launch ceremony, when Eben van Zijl, leader of the SWANP representatives, announced that he was strongly opposed to the abolition of the racial segregation of the education and health services, tax system and expenditure structure. The *Daily Telegraph* (London) described the eight 'ministers' at the press conference as putting up 'a defensive and semi-coherent response' to questions.⁶⁷

SWAPO political mobilisation inside Namibia

While the MPC struggled unsuccessfully to establish its credibility in Namibia, a series of major rallies held in the face of violent reaction by the security forces, demonstrated once again the extent of support enjoyed by SWAPO. On 19 April over 3,000 SWAPO supporters held a surprise rally in Katutura township outside Windhoek to mark the 25th anniversary of the formation of SWAPO. The thousands of demonstrators marched in a procession through Katutura singing freedom songs and hymns and were joined by others who flocked from their homes to join in. Police stayed in the background but were more in evidence when they used tear-gas to break up a second rally of 1,000 people on 4 May, called to commemorate the anniversary of the deaths of 600 Namibian refugees in a South African attack on a SWAPO refugee settlement in Kassinga, Angola. When SWAPO supporters turned out *en masse* at the third rally in Windhoek in two months, to protest against the installation of the TGNU, the police were even more brutal. Following a rally of 4,000 people, 1,500 who went on to march through Katutura were attacked by *Koevoet* with tear-gas and clubs. Thirty-three people were hospitalised as a result, many with serious injuries. South African attempts to mobilise a 'pro-MPC' demonstration, involving pressure from *Koevoet* and the laying on of trucks and buses to transport contract workers and school students to the ceremony, failed dismally.⁶⁸

With no Namibians on the streets to welcome the TGNU, it was left to the South Africans to put on a show of support. The swearing-in was marked by a massive military parade, including troops, tanks, armoured

⁶⁷ *Reuters*, 18 June 1985; *Daily Telegraph* (London) 19 June 1985.

⁶⁸ Speech by Hidipo Hamutenya, SWAPO Secretary for Information and Publicity, to Trafalgar Square Rally to commemorate anniversary of Soweto massacre, 16 June 1985, London.

personnel carriers, and *Koevoet*, which travelled through the black townships of Khomasdal and Katutura before ending up in the Windhoek city centre. It was seen by observers as a warning to black Namibians, and a reassurance to whites, that despite the internal government, South Africa would continue to keep a tight grip on the country.⁶⁹

International diplomacy and Namibia

From 1977 to 1983 the Contact Group virtually took over from the UN the role of negotiating a settlement in Namibia and it was an agreement hammered out by Contact Group representatives in 1977, and which South Africa and SWAPO agreed to in mid-1978, which formed the basis for UNSCR 435. For most of the period of its activities, the Contact Group gave the impression that independence was imminent, thereby discouraging other international pressures for South African withdrawal, and reducing Western support for SWAPO's call for mandatory economic sanctions against South Africa.

The demise of the Contact Group and the undermining of UNSC Resolution 435 have been the most prominent features of the recent period. The origins of this process are important to grasp if the subtleties of the present diplomacy are to be understood. In the build-up to, and following the election of the Thatcher government in Britain in early 1979, and again after the Mugabe election victory in Zimbabwe in early 1980, Pretoria began to back-track on Resolution 435 and to misleadingly present the UN plan to the world as somehow 'pro-SWAPO'. In fact Resolution 435 was a Western initiative to significantly water down in favour of Pretoria the UN's previous independence plan for Namibia contained in UN Security Council Resolution 385. The Western powers had agreed to this in 1976 when Portuguese colonialism was defeated and Soweto and other parts of South Africa were in revolt. Elizabeth Landis, an international lawyer who has worked closely in support of SWAPO for many years, summarised the watering-down of the principles of Resolution 385 as follows:

Despite its alleged purpose, Resolution 435 undercut every key provision of the earlier resolution: (i) Instead of being required to withdraw immediately, the South African occupation regime would remain in Namibia and run it until

⁶⁹ Namibia Communications Centre report, 18 June 1985; *Reuters*, 17 June 1985.

independence; (ii) Pretoria was not required to dismantle the bantustans, and other human rights requirements were omitted or made less comprehensive; (iii) The election would be run by South African officials—they would choose the electoral system, register voters, count the votes, etc.—while the UN would be reduced to monitoring their conduct; (iv) The same South African police that intimidated, detained, and tortured Namibians would be in charge of maintaining law and order and of ensuring the freedom of the vote; and (v) the removal of Walvis Bay from Namibian jurisdiction was tacitly approved.

To placate SWAPO, the Security Council adopted Resolution 432 (1978), which stated that the territorial integrity and unity of Namibia 'must be assured through the reintegration of Walvis Bay', [emphasis added] The Council added that it would support 'initiation of steps' to that end and that, pending the restoration, 'South Africa must not use Walvis Bay in any manner prejudicial to the independence of Namibia or the viability of its economy . . .' But the resolution contained no coercive provisions to ensure compliance by Pretoria.⁷⁰

Despite these huge concessions by SWAPO, who were nevertheless confident of winning any genuinely 'free and fair' election, Pretoria quickly took advantage of the election of conservative governments in Britain and the US to stall implementation of Resolution 435. A series of bogus issues such as alleged UN partiality, de-militarised zones, and election systems were raised between 1980 and 1983, delaying progress and subjecting Namibians to more suffering. The world stood by in ignorance of the subtle diplomatic manoeuvres or without effective power to end the delays.

When such negotiating ploys ran out, the issue of linking a Cuban troop withdrawal from Angola to the implementation of Resolution 435 was introduced by Pretoria with enthusiastic US connivance. While the stagnation of negotiations which followed had enabled Pretoria to continue its attempts to build the trappings of a local neo-colonial state and puppet government, the issue of linkage has provided Washington and Pretoria with a lever to promote the political fortunes of Jonas Savimbi's UNITA insurgents in Angola and to try to legitimise the illegal South African military attacks into Angola.

It was this which led to a heated falling out between France and the US at the last Contact Group meeting in Paris on 24 October 1983. In December 1983 the newly-elected Socialist government in France withdrew from the Contact Group. The External Relations Minister,

⁷⁰ Elizabeth Landis, 'Namibia in the international context: the frustration of independence', a paper delivered to International Conference on Namibia, London 10-13 September 1984 (organised by Namibia Support Committee in cooperation with SWAPO).

Pretoria, on the other hand, has begun to be increasingly open about its long-term objective to completely bypass Resolution 435. Hitherto it has always made a careful point of giving 'formal' acceptance to the resolution while expressing 'reservations' about certain of its terms. The South African Foreign Minister, Pik Botha, said in September 1984 that his government would not object to a plan which bypassed Resolution 435 and included agreement between the MPC, SWAPO and the Front Line States. Unita would also have to be brought in, he said, otherwise it would attack the UN peacekeeping force stationed on the Angola/Namibia border.⁷² Clearly, the South African government, spurred on by the US, will attempt further forays like the one in Lusaka to bypass the UN.

The abortive South African commando raid on the vital Gulf Oil installations in Cabinda in May 1985 and the savage attack on civilians in Gaborone in mid-1985 led to the temporary recall of the US Ambassador to 'review policy'. The picture was complicated, however, by the complete breakdown of US-Angola discussions on Cuban troop withdrawal which followed the provocative repeal on 10 July 1985 of the Clark Amendment in the US Congress. This amendment had formally prohibited US aid to dissident groups in Angola since the failure of the CIA's military-sponsored adventures with Unita and the FNLA in 1975. One of the major pro-South African and pro-Savimbi lobby organisations in Washington, Heritage Foundation, called the decision 'extremely historic' and Senator Steven Symms declared that 'what the South Africans are seeking to accomplish in southern Africa bears a resemblance to what the US is trying to accomplish in Central America'.⁷³

It remains an open question now whether the recent impetus amongst US Congressmen and Senators which has resulted from the domestic anti-apartheid campaigns can be sustained enough to force a halt to the Reagan Administration's increasingly open support for South Africa's surrogate, Savimbi, and its undermining of Resolution 435. A key component of this struggle will be the extent to which the British government can 'bridge' the irreconcilable US and Commonwealth positions, and so defuse world-wide pressure for effective economic and other sanctions against South Africa. The governments of Britain and the FRG are also playing an increasingly active role in softening anti-apartheid measures by the EEC. Clearly the anti-apartheid

⁷² *BBC Monitor*, 19 September 1984.

⁷³ *NNB*, August 1985.

Sanctions and South Africa .

This article sets out to describe and analyse the causes and effects of the phenomenal growth in the South African divestment campaign and the increasing calls for sanctions in the United States and other parts of the world.

The campaign in the US for the divestment of holdings by universities, churches, cities and States in companies with South African interests and for the ending of bank loans is by no means new. Church and other groups have been taking shareholder action at company AGMs for the past ten years, without any great success; though there has been a regular trickle of cities and States passing legislation to prohibit or at least to limit the investment of public funds in companies with South African interests, starting with the city of Cotati, California, in 1978. The first State action was taken by Nebraska in 1980, followed by Massachusetts, Connecticut, and Michigan in 1982.

The campaign, however, took on a completely new complexion at the end of 1984; it began to attract nationwide support and to have more marked success. Timothy Smith, a long-time campaigner and Executive Director of the Inter-Faith Center on Corporate Responsibility, commented, 'A number of banks have turned the corner on South Africa'.¹

Washington Notes on Africa (Winter/Spring 1985) lists a number of factors which led to the formation of the Free South Africa Movement, which was established at the end of 1984 to coordinate the efforts of political, labour, church and academic organisations and to spearhead the nationwide campaign:

Events in South Africa in 1984: the widespread unrest and police violence leading to over 200 deaths and 4000 arrests, centred around the imposition of the new Constitution;

The award of the Nobel Peace Prize to Bishop Desmond Tutu, which focused worldwide attention on apartheid;

The US Presidential candidacy of Jesse Jackson, which brought the issue of South Africa into the arena of national political debate;

The re-election of President Reagan, which brought the prospect of four more years of 'constructive engagement';

¹ *Rand Daily Mail* (Johannesburg) 10 April 1985.

The failure of the Export Administration Act, which included proposals for sanctions against South Africa and which was passed by the House of Representatives but defeated in the Senate;

The success of anti-apartheid action at grassroots level, which had been going on for many years.

The first major demonstration and arrests took place outside the South African Embassy in Washington DC on 21 November 1984. Since then demonstrations have taken place on every weekday, leading to the arrest (by August 1985) of some 3000 people, including twenty-two Congressmen and numerous other eminent people. The demonstrations have not been confined to Washington. As *Time* magazine (5 August 1985) commented:

More than any other issue since the Vietnam War, the question of apartheid has touched off a wave of public protest and voluntary arrest in the US that is far from being confined to Washington. While demonstrators have been taking to the streets of the capital others across the country have sought to pressure state and local governments, universities and colleges to rid themselves of holdings that involve US and foreign companies with interests in South Africa.

By August 1985, six States and twenty-six cities had passed some form of divestment legislation, while such legislation was pending in another twenty-five States and in numerous cities. Some forty universities had taken similar action, though in most cases, as is true also of some States, the divestment proposals were conditional upon the companies taking some action, such as achieving a satisfactory rating according to the Sullivan Principles (see appendix). The demands made by the Sullivan Principles, which are mainly concerned with desegregation and equal treatment in the workplace, have to a large extent been overtaken by events. Local South African businessmen are in fact making more radical political demands, such as common South African citizenship, repeal of the Pass Laws, and participation in national political life. Little is to be gained, therefore, from such conditional divestment.

In US usage, 'divestment' refers to the action of shareholders disposing of their holdings in companies; 'disinvestment' refers to companies withdrawing their capital from South Africa. Divestment is not an end in itself and it has no direct effect on South Africa. Its purpose is not to make the individual and institutional shareholders feel good, but to put pressure on the companies concerned to disinvest. This pressure is not purely financial; after all, others will no doubt purchase the shares disposed of. Although US companies derive only a proportion, and in the case of the giant multinationals only a very small

proportion, of their profits from South Africa, the damage done to their image by the exposure and criticism of their involvement in South Africa might well affect the profitability of their other operations. Companies might well decide therefore that, whatever the profitability of their South African involvement, their continued presence is not worth the effort. The campaign has at least succeeded in making companies spend a great deal of time and effort, which to them means money, on justifying their South African operations. As one US company executive observed, 'Although we get 10 per cent of our profit from South Africa, it's taking up 50 per cent of boardroom time.'²

According to *The Economist* (London) (30 March 1985) 'The total of sales of stock in South African-linked companies instigated by the anti-apartheid movement over the past year is probably past the \$5 billion mark'. How much effect this has had on the companies concerned it is impossible to gauge; though since 1980, thirty US companies have withdrawn from South Africa while only eleven have gone in. Others, like Ford and Coca-Cola have cut back their holdings in South African companies to less than 50 per cent. Even the British banks, Barclays and Standard Chartered, which have completely dominated the South African banking scene for decades have now reduced their holdings to well below 50 per cent. The companies themselves claim that their actions are based on purely commercial considerations. But those considerations are in turn determined by the political situation to which the campaign has been drawing attention for many years.

Most of the divestment has been carried out by city and State pension funds. (With a value of over \$1 trillion, US institutional portfolios are one of the largest sources of capital in the world, and they are now realising that this gives them a great deal of power). While the motivating cause has been disapproval of apartheid, the trustees have also been able to show that divestment from companies with South African interests is not financially detrimental to their Funds, as they must do in order to comply with the trust laws. The governor of the State of Massachusetts, which was the first State to divest completely from South African-linked companies, disposing of an estimated \$130 million worth of shares, commented, 'Divestment makes not only a strong moral statement against apartheid but divestiture has proven to

² *Financial Times* (London) 2 August 1985.

have had no significant impact on our pensions earnings'.³ Several studies have shown that portfolio performance would be no worse, and in some cases would be better, without South African involvement. Robert Schwartz, the leading exponent of socially responsible investment has written:

As an investment adviser, I do not analyze moral or political issues but rather concern myself with the hard data necessary to make responsible financial decisions. In the case of South Africa-related investments, the facts are clear. Divestment should not be ruled out on financial grounds. The final consideration is not its effect on your investment portfolio but its effect on apartheid.⁴

Some more cynical observers see this as reason for dismissing the campaign as simply an opportunity 'to redress affluence with a little nostalgic protest . . . any noble posture, so long as it's cost free'.⁵ But in challenging the conventional wisdom about the financial advantages of investing in South Africa the campaign is also challenging the political and moral assumptions on which that 'wisdom' is based.

There is very little real pressure on the companies voluntarily to withdraw completely from South Africa for anything resembling moral reasons. The campaign has, however, helped to create a political climate in which it was possible and politic for both Houses of Congress to pass legislation which would prohibit new investment and provide for some form of sanctions. In the House of Representatives fifty-six Republicans joined the Democrats in supporting an anti-apartheid Bill which would prohibit new loans to the South African government and state corporations, new investment, the sale of computers and nuclear technology as well as the sale of Krugerrands. The Senate agreed a milder package; at the time of writing it was expected that the two would meet shortly to coordinate their strategy and that they would agree on proposals for a limited form of sanctions which President Reagan, in view of the worsening situation in South Africa, would find difficult to veto. The US representative who met 'Pik' Botha on his European visit following the declaration of the state of emergency was reported as having told him 'that the "emotional climate" in the US would not permit the presidential veto unless there was "accelerated movement" towards the dismantling of apartheid'.⁶

³ F Chen, 'The financial implications of divestment: a review of the evidence', Interfaith Center on Corporate Responsibility, (hereafter ICCR), New York, 1984.

⁴ *New York Times*, 6 June 1985.

⁵ *Business Day*, 23 May 1985.

⁶ *Financial Times* (London) 12 August 1985.

Even the House of Representatives' proposals called only for an end to new investment in South Africa, which is presently insignificant and has been declining in importance for many years. Much of the growth of foreign investment has been attributable to the reinvestment of profits which, from 1960, in the wake of the Sharpeville massacre, until February 1983 when exchange controls were lifted, could only be repatriated at a discount of up to 40 per cent. Total foreign investment has in any event been shrinking in real terms for the past few years and US investment has fallen in absolute terms. It reached a high of \$2.8 billion in 1982 and fell to \$2.2 billion in 1984. During the whole of 1981 and 1982 no more than \$100 million of new US capital was invested. Since the abolition of exchange controls more money is leaving South Africa in the form of dividend payments than is entering for capital investment.

Companies invest in South Africa (as they do elsewhere) in order to make a profit; not in order to benefit the South African economy as a whole nor to improve the lot of blacks in particular. It can be argued *a priori* therefore that their withdrawal would harm them more than the South African economy or the black population. They will only withdraw when it is in their financial interests to do so, either because of the state of the economy or because public disapproval is affecting their profitability in other areas. Both these factors are already exerting some influence, as evidenced by the decline in new investment and the withdrawal of some companies. South Africa, while still a highly profitable field for investment in some sectors, particularly mining, is no longer the happy hunting-ground that it was until a few years ago. It was reported that Frost Sullivan, a New York risk consultant, had dropped South Africa from ranking as one of the safest of the world's economies to 'a par with some of the higher risk Third World countries'.⁷ The Investor Responsibility Research Centre in Washington states that 'From a 31 per cent after-tax rate of return during 1980, a particularly good year for the South African economy, American companies realised an average return of only 7 per cent in 1982 and 1983'. It is not surprising, therefore, that in the first quarter of 1985 R2.9 billion of foreign investment, more than the total for 1984, was withdrawn from South Africa.

Current returns on investment are not, however, the only consideration. Much of the foreign investment in South Africa is now in

⁷ *Sunday Times* (London) 28 July 1985.

the form of immovable assets which it would be physically impossible to remove and financially suicidal to dispose of locally. In any event, there is no reason to suspect that the South African government would hesitate to reintroduce exchange controls to prevent any major outflow of capital. Many companies are, therefore, obliged, in financial terms, to stay there however low the rate of return on their investments. Further, the major corporations have only a relatively small proportion of their assets in South Africa. A drop in the return on these will not have a dramatic impact on their overall performance. By staying in South Africa they not only hope, but are actively seeking to ensure, that the drop will be only temporary by ensuring that the present system survives.

Even in the unlikely event of the divestment campaign succeeding completely and causing all US companies to withdraw, the South African economy and apartheid would survive. It is true, as some opponents of disinvestment point out, that 'the divestment lobby is working on a tiny margin of the South African economy'.⁸ (The investment lobbyists, however, use contradictory arguments: they argue *against* disinvestment on the ground that foreign investment is so insignificant that its withdrawal would have no effect. On the other hand, when arguing *for* investment they claim that it has has a very significant effect and that its withdrawal would be most harmful to the black population.) But the arguments for disinvestment are not solely, nor indeed primarily, economic. They are political. What is needed in South Africa is radical political change. Foreign investment because of its nature helps to preclude that change, since its role is to preserve the present system. In doing so there is no way in which it can, as its advocates claim, benefit the black population, since it is that system which is the cause of the problems, not simply bad working and living conditions and the denial of human rights, which are the necessary consequences of the system.

The campaign, like the House of Representatives' proposals, is also concerned with ending bank loans, which, as the South African Finance Minister confirmed in March 1984 were 'becoming of relatively greater importance to South Africa than equity investment'.⁹ Eva Militz's work, *Bank Loans to South Africa Mid-1982 to End 1984*, 'identified a total of 202 banks of eighteen nationalities that provided ninety-eight new loans totalling US \$4244.1 million to the minority regime, its

⁸ *The Economist* (London) 30 March 1985.

⁹ *Financial Mail* (Johannesburg) 17 August 1985.

parastatal institutions and private companies'. US banks accounted for 27 per cent of this. Most of the leading banks now have a policy of not making loans to the South African government and its agencies; other have restrictive policies. The most notable 'convert' perhaps was Citibank, the world's largest private bank and the US's largest lender, which announced in February 1985 that it would no longer take part in loans to the South African government nor would it sell Krugerrands. Citibank had been subject to considerable pressure from the divestment campaign:

By March 1981 over thirty Protestant and Roman Catholic bodies had affirmed the pledge to buy no further bonds and CD's from Citibank. Other organisations like the famous Harvard University joined in and divested from Citibank. . . . the City of New York in 1984 began to withdraw pension money from banks and companies that deal with South Africa and a measure calling for further divestment was introduced in February 1985. . . . (Citibank is said to manage up to \$3 billion a year on behalf of New York.)¹⁰

Citibank's announcement was, therefore, hardly surprising or coincidental. Wells Fargo and the First National Bank of Boston have gone further and have said that they will also not make loans to the private sector in South Africa.

Partly, at least, as a result of the campaign, there has been a fall in US bank loans to the public sector from \$623 million in 1982 to \$343 million in September 1984. There has, however, been a dramatic increase in loans to the private sector; these could easily be channelled to the government and its agencies and it at least leaves other avenues open to them. US lending to private institutions other than banks increased from \$496.2 million in June 1981 to \$1.1 billion in September 1984 and lending to banks from \$1.08 billion to \$3.55 billion over the same period.

The stated aim of the Free South Africa Movement is the end of apartheid and a change in US policy. While it is already having some effect on the latter, its effect on the former is, and will remain, minimal, though not necessarily irrelevant. What North Americans mean by 'an end to apartheid' and what black South Africans mean by it are two very different things. Although the whole movement should not be dismissed, as it is by some of its more strident opponents, as simply a self-indulgent expression of 'bleeding-heart liberalism', it does tend to be little more than an extension of the US civil rights movement and to

¹⁰ See E. Militz, 'The International Campaign to end loans to South Africa', World Council of Churches, 1985.

treat apartheid merely as a particularly iniquitous form of denial of individual human rights based on racism. For black South Africans apartheid is a total politico-economic system which must be completely destroyed and not tampered with by the granting of 'concessions' concerning freedom of movement, trade union rights, etc. (Black political activists have tended for many years not even to refer to 'apartheid'; they speak of 'the system'.)

Many among both the proponents and opponents of foreign investment talk glibly about its positive or negative effects without showing any real understanding of what apartheid is or of the nature of the relationship between foreign investment and the apartheid system. If apartheid were simply about the practice of racial discrimination there would be equally valid, and insoluble, arguments for the use of investment as a carrot or disinvestment as a stick in order to persuade South Africans to change their ways. If apartheid were simply about separate park benches, separate shop entrances, separate schools, separate hospitals, separate buses, separate sports facilities—all on the basis of skin colour—it would still warrant universal condemnation. It is all that, but it is also much more. If that were all it was, the South African government could claim, as it does, that things were changing: there are now integrated hotels and restaurants (seventy-four and thirty-four respectively in the whole country) integrated sports teams (a token black has been chosen for the Springbok rugby team) and some integrated beaches (though swimming pools remain 99 per cent segregated).

South Africa is certainly racist. Racism exists not only on an interpersonal level as it does in most countries; it is institutionalised and even constitutionalised. Racism is enshrined in the social structures, the law and the Constitution. Their racial classification affects every aspect of people's lives: their right to vote, where they may live and work, whether they may live together as a family, the quality of their education, the size of their income and even where they may be buried.

Apartheid is not, however, simply about segregation. Social, geographic and political separation is only one of the many means used to achieve the aim of retaining economic wealth and political power in white hands. Apartheid means inequality and control. No one who is committed to the capitalist system would willingly forgo such an efficient method of protecting their material interests. Botha, Reagan and Thatcher possibly understand this better than some of the critics who are concerned only with the inhumanity of the means used.

Racial discrimination is never simply an end in itself. In South Africa it is a means towards the end of retaining political power, and consequently economic wealth, in the hands of the white minority. Apartheid and white economic development do not merely exist side by side; they have a symbiotic relationship. The South African government does not implement apartheid for purely ideological reasons, regardless of the economic consequences; it implements apartheid precisely because of these consequences, which are in the material interests of whites, including foreign investors. Apartheid, far from being a burden on the economy, has served it well. As F A Johnstone has noted:

Given the vast economic growth and industrialisation which has taken place in South Africa during the twentieth century, and given the concomitant continuity and consolidation of the system of racial domination, it clearly makes little sense to begin by characterising the relationship between this system and the economic system as essentially 'dysfunctional'. Still less sense does this view make in view of the extensive determination of the system of racial domination by property owners, notable in such forms of racial discrimination as the coercive labour controls of the contract system, the pass system and the compound system and the various discriminatory property laws.¹¹

It was foreign capital, mainly British, which enabled the gold and diamond mines, the foundations of the South African economy, to be developed in the first place. Such investment would not have been profitable, and therefore would not have been made, were it not for the existence of a vast, and extremely cheap, labour force. This labour force did not come into existence purely by chance; it had been deliberately created. There is nothing inherently exploitable about black workers. They were made exploitable by military conquest and the denial of political rights. They were forced to sell their labour *extremely* cheaply by the imposition of a tax when the only source of cash in an otherwise subsistence economy was working in the mines. Apartheid, albeit under a different name, served the interests of foreign capital from the start, and it continues to do so. Foreign investors are not, therefore merely engaging in the morally reprehensible act of benefiting from an evil system. They are an essential part of that system. They could not survive very profitably without it; it could not survive without them.

Although foreign investment now accounts for only a small proportion (3.8 per cent) of new fixed capital formation in South Africa the State President P W Botha, for one, is under no illusions about it

¹¹ Frederick A Johnstone, *Class, Race and Gold* London: Routledge and Kegan Paul, 197.

strategic importance. It was important he said, 'because it supplemented domestic savings to finance investment, favourably affected the balance of payments and often involved the transfer of technological know-how and sometimes the immigration of managers and highly qualified technical people'.¹² The basic contradiction of the apartheid system is that there is one economic system, which is dependent on blacks both as workers and as consumers, but a plural political system which denies blacks any effective power. The greater the economic dependence on blacks, the greater the pressure for a new political dispensation. To survive, apartheid must decrease its dependence on black labour and defuse the threat posed by the presence of blacks in 'white areas' by forcibly 'resettling' them. Foreign investment, because of its capital intensive nature, and, just as importantly, because of the 'technological know-how and highly qualified technical people' referred to by Botha, furthers this process and so lessens the pressure for political change. Disinvestment would obviously have the opposite effect.

While the withdrawal of foreign companies would have a deleterious effect on the small proportion of the workforce directly employed by them it would be beneficial to the majority since foreign investment destroys more jobs than it creates. The mechanisation of agriculture, for example—with the aid of foreign technology—has led to the 'resettlement' of 1.1 million blacks who were rendered 'superfluous' on white farms. As the South African economist Michael de Klerk has pointed out:

... instead of investing the lion's share of our capital resources in industrial jobs which cost R5400 each to create, we should be investing much more in small-scale agriculture where jobs cost perhaps one-tenth of that amount to create. Such a redistribution of land and capital would help increase rural incomes and so attract the men who are critically lacking in black agriculture back to the rural areas. Agriculture is also one of the few remaining areas of economic activity where labour-intensive techniques are still competitive. . . . The distribution of power and wealth in South Africa, and *our involvement in the Western economic system*, has caused our economy to develop along almost entirely contrary lines, and this is perhaps *the single most important cause* of the high level of structural unemployment in the Republic.¹³ (emphasis added)

He points out that among the causes of increasing capital intensity are

South African Institute of Race Relations, *Survey of Race Relations* 1983, p 109.
Charles Simkins and Cosmas Desmond (eds), *South African Unemployment: A Black Picture*, Pietermaritzburg: University of Natal Press, 1978, pp 37–8.

'the nature of foreign investment in the country' and 'the notion that development means using the latest overseas techniques'.

The argument for disinvestment, therefore, is not, or should not be, based on a moralistic self-righteousness; 'These people are so evil that we will have nothing to do with them.' Disinvestment and other sanctions should not, I believe, even be described as 'punitive'. Investors are necessarily party to the 'crime of apartheid'. The UN Convention on the Suppression and Punishment of the Crime of Apartheid states:

International criminal responsibility shall apply, *irrespective of the motives involved*, (emphasised added) to individuals, members of organisations and institutions and representatives of the State, whether residing in the territory of the State in which the acts are perpetrated or in some other State whenever they

(a) Commit, participate in or conspire in the commission of the acts mentioned in Article II of the present Convention;

(b) Directly abet, encourage or cooperate in the commission of the crime of apartheid

Among the acts mentioned in Article II is: '(e) Exploitation of the labour of the members of a racial group or groups, in particular by submitting them to forced labour.' Investors and other collaborators should, therefore, be concerned about their own 'criminal responsibility' in addition to that of the South African government. Refraining from incurring that responsibility is in one's own interests, not just a means of punishing others. By disinvesting companies do not simply wash their hands of the problem; they cease to play an important part in maintaining the system. To stop doing evil is a positive action. Disinvestment can only be viewed as a negative action if South Africa's racist policies are considered to have their own existence independently of the economic system. As we have seen, the only explanation for the apartheid system, both historically and in the present context, is in that it serves the political and economic interests of the whites. It is a contradiction in terms, therefore, to seek to change apartheid by participating in the present economic system. The 'Oppenheimer thesis' that economic growth, fuelled by foreign investment, necessarily lead to positive political change, has clearly been discredited by experience. Repression has steadily increased throughout a period of massive economic growth. Today, after 150 years of foreign investment there is in South Africa a state of emergency, widespread killings and arrests, and treason trials; the position of blacks is worse than it has ever

been. The cosmetic changes that have been introduced have served only to entrench white rule; the new Constitution and the tricameral Parliament are prime examples of this. Foreign investment certainly makes a contribution to economic growth, a bigger one than those who seek to minimise its role so as to justify their continued presence there will admit. According to South Africa's Finance Minister, Barend du Plessis, 'South Africa could manage long-term growth of about 5.5 per cent a year with the help of heavy foreign investment. But if the country has to manage on its own resources, its viable growth rate is about 3.5 per cent a year.'¹⁴ But there is no evidence of blacks benefiting from that growth. Disinvestment would change the nature rather than the extent of the growth, but at the same time, by increasing the dependence of the economy on black labour rather than foreign capital, it would heighten the basic contradiction of apartheid. How that contradiction is resolved is a question for black South Africans.

The pro-investment lobby would have us believe that any form of external pressure on South Africa is counter-productive because such is the Afrikaner mentality that they would react like cornered animals. Apart from being a blatant example of Anglo-American arrogance and racial stereotyping, the argument is clearly false. Even Dr Verwoerd, the architect of Grand Apartheid and the most doctrinaire and intransigent of all Afrikaner leaders, admitted that he had to bow to foreign pressure. When introducing his plan for separate 'homelands' in 1962, he said in Parliament, 'This is not what we would have liked to see. It is a form of fragmentation that we would not have liked had we been able to avoid it. In the light of the pressure being exerted on South Africa, there is however no doubt that this will have to be done, thereby buying for the white man his freedom and the right to retain his domination in what is his country'. There is also a warning here. Verwoerd was not prepared to be diverted from his primary aim; he was only willing to adapt the means of achieving it in order to placate foreign opinion. Botha has been adopting the same strategy. In his policy speech of August 1985 he made it quite clear that he had no intention of sharing effective political power with blacks, but he did at least feel constrained to make the effort, bungled though it was, to respond to overseas pressure. He knew that the measures would be dismissed by blacks and had he been addressing his own supporters he would have made the speech in the Transvaal and in Afrikaans rather than in Natal

and mainly in English. This, however, is an argument for applying more pressure not less. More recently, the mere threat of very limited sanctions sent the Foreign Minister, 'Pik' Botha, scurrying to Europe to assure the US, Britain and West Germany of P W Botha's good intentions.

The Nationalists themselves are well aware of both the political and economic importance of foreign investment. They go to great lengths to encourage it; and to even greater lengths to discourage the advocacy of disinvestment. They realise that the more Western capital, in the form of bank loans and direct investment, that is tied up in South Africa the greater the West's interest in giving them political support. It is concern for the protection of these interests, rather than any concern about the effects on the black population, that leads one or other of the major powers inevitably to veto any action against South Africa proposed by the UN. (It is for this reason that disinvestment by companies of North American, British and French origin is of primary importance. Even if companies from other countries, such as Japan, Israel, etc, were to take their place; these countries could not acquire a vested interest in exercising a veto which they do not possess.) The advocacy of disinvestment by a South African, even if it takes place outside South Africa, is defined by the Internal Security Act as a crime of 'subversion', carrying a maximum penalty of twenty years imprisonment. This consideration alone should dispel any argument about which section of the population benefits from such investment. Even those black workers employed by US companies and who thus have their own vested interest in foreign investment recognise that it is the government and the whites who benefit most. A recent survey of such workers which has been widely quoted as showing that 71 per cent of them favoured foreign investment also showed that only 26 per cent considered that it helped blacks, while 44 per cent thought it helped the government and 30 per cent the whites.

Disinvestment would, therefore, have some economic impact; though a different one from that usually suggested by either the proponents or opponents of investment. The question is not whether foreign investment is of direct economic benefit to blacks or not, but whether it contributes to political change. Disinvestment, despite its relative insignificance in narrow economic terms, would remove an essential prop to the system and allow blacks greater opportunity, because of the system's increased economic dependence on them, to exert pressure for political change. In more basic terms, blacks do not

need Westerners to hold their hand, but it would help if we got off their backs. Nobody claims that disinvestment alone would bring about radical political change in South Africa, but not only does it make its own contribution, it also prepares the way for other actions, particularly for more wide-ranging sanctions, since Western countries would then have less to lose as a result of such actions.

Even if it is accepted that total disinvestment will not take place, certainly not if it is left to the companies themselves, the campaign still has some validity. On the psychological level, it is a gesture of solidarity with, and a morale boost to, black South Africans who are the primary agents of change; while it has the opposite effect on the white supporters of the system. Despite what the amateur psychologists in the investment lobby say, white South Africans, whether Afrikaners or English-speaking, *are* concerned about being treated as pariahs. The fact that black political leaders, with the exception of Chief Buthelezi, have consistently called for such action should in itself be a sufficient justification for the campaign. All concerned might do well to show more trust in the judgement of those who are in the forefront of the struggle.

The campaign also helps to create the right political climate for government action against South Africa. The leader of a black-led lobbying group in Washington, for example, was quoted in *Time* magazine as saying, 'Many Americans knew nothing about apartheid before the demonstrations began. Now there is a new understanding of South African repression.' Such an understanding is a necessary, though by no means sufficient, prerequisite for government action. Without the campaign there would not even be the present threat of sanctions, which has been sufficient to have some influence on Botha's promise of future reforms. If, as anticipated, Reagan does approve some form of limited sanctions it will be an important political gesture and will put pressure on Britain at least to make a similar gesture. And at the moment nobody is really talking about anything more than a gesture. Effective sanctions are not yet even on the agenda in the US or Britain or for that matter in any Western country. The divestment campaign has at least put the issue of South Africa on the agenda.

The disinvestment campaign has not been confined to the US, though it is probably better organised and has more resources there than elsewhere; and for the first eight months of 1985 the US was certainly the dominant force in the campaign. There were, as has been mentioned, a number of reasons for this, some positive some negative,

and its importance both in relation to bringing about change in South Africa and to influencing the rest of the world should not be exaggerated. The widespread support given to the campaign in the US has doubtless added impetus to the campaign in other parts of the world, but the only real question is whether US policy will have any influence on British policy. Some countries, however, were already ahead of the US, while others, in the wake of the declaration of the State of Emergency, have leap-frogged over them.

India severed all economic links with South Africa as long ago as 1947. The South African Minister of Economic Affairs reported to the House of Assembly in 1962 that boycotts of South Africa had been imposed by the USSR, China, Malaysia, Antigua, Barbados, Jamaica, [British] Guyana, Suriname, Ethiopia, Ghana, Liberia, Nigeria, Sierra Leone and the Sudan.¹⁵ Other countries have imposed more limited sanctions: Norway decided in 1976 not to grant foreign exchange licences for investment in South Africa; Sweden banned new investment in 1979. Following the declaration of the State of Emergency on 20 July 1985, Canada, Australia, and all the members of the EEC, with the exception of Britain and West Germany, took some action. Brazil, which has a balance of trade surplus with South Africa, prohibited the export of arms, crude oil and petroleum derivatives and banned all social and cultural contacts. The most significant action was that taken by the French government which withdrew its ambassador and banned new investment. French new investment is very small, less than \$15 million in 1984; nothing was said about its far more extensive trading links.

The divestment campaign is primarily a politicising and mobilising force; any disinvestment it achieves, and it is having some success, is a bonus. Effective action can only be taken by governments; and really effective action by the UN by means of comprehensive mandatory sanctions. An overwhelming majority of member States of the UN are in favour of at least some mandatory sanctions, beyond the existing mandatory arms embargo. In 1979 the General Assembly passed a resolution calling for a cessation of new investment: 'The General Assembly, convinced that a cessation of new foreign investment in, and loans to, South Africa would constitute an important step in international action for the elimination of apartheid, as such investment

¹⁵ C' Child, 'Apartheid, economic collaboration and the case for United Nations comprehensive sanctions against South Africa', UN Centre Against Apartheid, 1984.

and loans abet and encourage the apartheid policies of that country . . . urges the Security Council to . . . achieve the cessation of further foreign investment in, and financial loans to, South Africa'. The Security Council has yet to impose such a moratorium.

Regular calls for mandatory sanctions are made in the General Assembly. In the 1984 vote there were only two votes against (compared to sixteen in 1983) and ten abstentions. In July 1985 not even Britain and the US vetoed the Security Council resolution on voluntary sanctions; though they had used their veto on an earlier one calling for mandatory sanctions.

In the past the South African economy has been considered impervious to sanctions, with the possible exception of oil, but in recent years it has become increasingly vulnerable. In 1982 and 1983 the economy experienced 'negative growth'. Despite some growth in 1984, the index of leading indicators fell 17 per cent in January and 13 per cent in February 1985; the prime borrowing rate of interest was 25 per cent in mid-1985, while inflation was at 16 per cent. The international finance community's disappointment with Botha's policy speech in August 1985 was reflected in the fall of the rand to a record low of \$0.38 compared to \$1 a year previously. In the past South Africa has had no difficulty in repaying loans since the international banks were always willing to make further loans because of their faith in the strength of the South African economy. Political factors have now changed that. On 27 August 1985 the Governor of the South African Reserve Bank in his annual report gave a number of reasons for the economy being in better shape than it had been in the previous year. Yet later that same day the Finance Minister announced the closure of the foreign exchange and shares markets. Four days later South Africa froze repayment for four months of \$12 billion of short-term loans out of a total foreign debt of \$17 billion. As the *Financial Times* (2 September 1985) commented, 'the crisis was brought about almost entirely by political rather than economic pressures'.

Even before the most recent unrest, South Africa had been described as being 'in the grip of a financial and economic crisis'. (M N Naidoo, unpublished paper) Naidoo points out that in 1984 South Africa devoted at least 27.8 per cent of its budget to defence, much of it going towards meeting the extremely high costs of the illegal occupation of Namibia, and a further 18 per cent on oil because of the high cost of its oil-from-coal process and the 'incentive payments' it has to make in order to circumvent the OPEC oil embargo. There were also other

factors, as Militz points out, including the prolonged drought, the fall in the gold price and the rise of the dollar. The myth of South Africa's economic invulnerability has therefore been shattered. If UN mandatory economic sanctions were added to all these other factors there is no doubt that the economy would be crippled, though obviously this would not happen overnight. The object of the exercise, however, is not to bring economic chaos but political change. And this, not by frightening the Nationalists into agreeing to such change but by making it impossible for them to retain the necessary political control which relies on Western economic and political support. Without that support the nationalists could not continue to exclude blacks from the political process while at the same time becoming more economically dependent on them.

An end to bank loans and investment would, as has been noted, have some impact, though only a minor one. The main area in which such action would be effective remains that of oil. South Africa claims that half of its oil needs are now met by its oil-from-coal process at its Sasol plants, 'but it appears that figures are inflated to boost white morale. Only 18 per cent of the country's oil needs are provided by the Sasol plants'.¹⁶ Despite the oil embargo imposed by all the OPEC countries, South Africa continues to import 200,000 barrels of oil per day; without this, in addition to the effect on industry, the defence force and the police would simply not be able to function. A ban on the export of technology, particularly computer and nuclear technology, would also have a major effect. The Managing Director of Burroughs, South Africa, has said, 'The economy would grind to a halt without access to the computer technology of the West'.¹⁷ South Africa's nuclear programme—there is no doubt that it has the capability of producing nuclear weapons and has most probably already done so—depends particularly on French collaboration in supplying materials and on the recruitment of British scientists. These actions alone would have a major impact, but to make a significant contribution towards real change in South Africa sanctions need to be not only mandatory but also comprehensive. Both politically and morally if some sanctions are effective and right, any collaboration is counter-productive and wrong.

The only obstacle—and at present it appears to be an insuperable

¹⁶ D Woods, *Apartheid—The Propaganda and the Reality*, London: Commonwealth Secretariat, 1985.

¹⁷ S Baldwin *et al.*, *Pension Funds and Ethical Investment*, New York: Council on Economic Priorities, 1980.

one—to the imposition of UN mandatory sanctions is the use of the veto in the Security Council by Britain and/or US or possibly even by France. Both the US and Britain are concerned only with modifying apartheid, with smoothing off the rough edges so that it will be 'acceptable'. They would prefer a capitalist South Africa, even if it is racist, to a non-racist one which is also likely to be socialist. Both countries, but particularly Britain, would also incur financial losses from the imposition of sanctions. The likely US ban on new investment, for example, would affect fewer than 300 companies, whereas a ban on all trade would affect 5700. The US is South Africa's largest export market, with Britain fourth; they are second and fourth respectively as sources of South Africa's imports. In relation to its total economy the US involvement with South Africa is insignificant; its imports from South Africa, for example, account for only 0.78 per cent of its total imports. Even its supposed dependence on South African minerals is grossly exaggerated:

The sub-committee on Africa of the Foreign Relations Committee of the United States Senate, under the chairmanship of Senator George McGovern, published in 1979 a two-year survey of America's dependence on South Africa's minerals. This survey showed such dependence to be substantially one of habit rather than necessity: alternative sources of key minerals existed in Australia, Brazil and other countries. It was later pointed out by Robert S McNamara that it would be in America's interests to develop such alternative sources. Evidence before Congressional and other committees of enquiry had indicated that in some sectors the West's own mineral development has been stultified by the long-held belief, fostered by the South African lobby, that only the South African grade of the relevant mineral was suitable for American industrial and military needs. Chrome is an example.¹⁸

In Britain's case the links are relatively far more significant. Britain's £5 billion of direct investment in South Africa represents 10 per cent of its total overseas investment and combined with its indirect investment of at least £6 billion provides some 45 per cent of foreign investment in South Africa. According to the United Kingdom South Africa Trade Association (UKSATA), a body not entirely devoid of its own vested interests, gross income for Britain from South Africa in 1982 was around £3.5 billion. UKSATA also maintains that breaking all links with South Africa would result in the loss of 250,000 jobs in Britain. Others (see Rogers and Bolton *op. cit.*) say that this is a gross exaggeration and that the figure could be as low as 10,000. Rogers and

¹⁸ Woods, *op. cit.*

Bolton also confirm the findings of the US inquiries about the availability of other sources of minerals and the possibility of other minerals being substituted. Further, in recent months there has been a growing body of opinion, especially within the British Labour Party, that one of the major causes of unemployment in Britain is the lack of capital for investment in industry as a result of the increase of overseas investment. Withdrawal of investment from South Africa could, therefore, provide capital for the creation of employment in Britain and thus offset any job losses which would result from other forms of sanctions.

As long as a Conservative government remains in power there is no likelihood that Britain would support mandatory, comprehensive UN sanctions. The Labour Party, is committed to sanctions, though nationalist elements within it might balk at comprehensive sanctions for which Britain would have to pay a price, at least in the short term. In any case, one veto is sufficient to prevent the imposition of mandatory sanctions; there is no doubt that the US would provide this. Public opinion in the US is undoubtedly in favour of improvements being made in South Africa and, as I have said, this will surely lead to the imposition of minor sanctions, which in turn will have some influence on 'reform', but it is not likely to support the overthrow of a white capitalist government in favour of a predominantly black socialist one.

Despite its widespread support and its limited success, there is an obvious danger that the divestment and sanctions campaign may be hijacked, if it has not been already, by those who have a vested economic and political interest in South Africa staying within the capitalist fold. The primary aim of US policy is to prevent South Africa, and with it ultimately the whole of sub-Saharan Africa, from falling within the communist sphere of influence. It has been seeking to do this through 'constructive engagement', but it would be willing to use other means, including limited sanctions, in order to achieve it. In other words, the campaign could be used as a means to enable the US to determine the nature, and control the pace, of change in South Africa.

Change will eventually come in South Africa, with or without the aid of sanctions. Sanctions are not, and never will be, the dominant factor. Although Reagan and Thatcher will doubtless remain deaf to mounting international call for stringent, even comprehensive, sanctions, the call in itself, as we have seen, has important psychological, political and economic effects. It may be a case of taking part being more important than winning. Nevertheless, the stronger the sanctions that are applied

the more they may hasten the day and possibly lessen the bloodshed. If those countries, particularly African ones such as Nigeria, which support sanctions were to make their own trading and other links conditional upon countries severing all links with South Africa, even the major powers might find that the cost of maintaining such links is greater than the cost of sanctions. Even in terms of their own self-interest, the rest of Africa combined is more important to South Africa's trading partners than South Africa alone. The complete isolation of South Africa is, therefore, not possible on economic grounds. But America has shown in the past that it does not count the cost, in terms of money or even lives, of combating what it perceives to be the threat of communism. There is no evidence to suggest that a predominantly black South African government would be communist, but Reagan and others will doubtless believe Pretoria's propaganda which labels everybody who calls for radical change in South Africa as a 'communist'.

The longer sanctions are delayed the more irrelevant they become; all the arguments will be drowned in the sound of violence. Black South Africans are quite clearly not sitting idly by waiting to see what contribution the West is going to make before they begin the revolution; they have already started without us. If trading and other links are as important as the pro-South Africa lobby maintains it will be imperative to have those links with any future government in South Africa. It could, therefore, be argued *ad hominem* that it is in the West's own best economic interest to impose mandatory, comprehensive sanctions now, whatever the cost; otherwise it will lose even more when South Africa goes up in flames and subsequently a predominantly black government, which is not interested in maintaining links with those who found it so profitable to collaborate with their oppressors, attains power.

Appendix

1) Notes on the Sullivan Principles:

Leon Sullivan, a black American preacher and now a director of General Motors, first published his code of conduct for US companies in South Africa in 1977; it has been amplified on a number of occasions since then. It consists of six basic principles:

- I Non-segregation in all eating, comfort and work facilities.
- II Equal and fair employment practices for all employees.

III Equal pay for all employees doing equal or comparable work for the same period of time.

IV Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

V Increasing the number of blacks and other non-whites in management and supervisory positions.

VI Improving the quality of employees' lives outside the work environment in such areas as housing, schooling, recreation and health facilities.

The 1984 revision added some points on 'Increased dimension of activities outside the workplace', including support for freedom of movement and for the recension of all apartheid laws.

2) *A number of organisations in the US, including the following, provide information in various forms on the divestment issue:*

Investor Responsibility Research Center, Inc (IRRC)
1319 F St NW Suite 900
Washington DC 20004.

Interfaith Center on Corporate Responsibility (ICCR)
475 Riverside Drive
Room 566
New York NY 10115

American Committee on Africa (ACOA) & The Africa Fund
198 Broadway
New York NY 10038

3) *Regular US publications which monitor the divestment campaign include the following:*

Labor and Investment, published 10 times a year by IUD Publications Office, 2457 E Washington Street, Indianapolis, Indiana 46201 (\$70).

South Africa Review Service Reporter, quarterly publication of the IRRC.

Washington Notes on Africa, published quarterly; available from 110 Maryland Avenue NE, Washington DC 20002.

The Corporate Examiner, published 10 times a year by ICCR.

ACOA Newsletter, published by American Committee on Africa.

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D Hauck, *et al*, 'Two decades of debate: the controversy over US corporations in South Africa,' IRRC, 1983.

ICCR, 'What the banks say on South Africa', 1985.

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Litvak, *et al*, 'Divesting from South Africa: a prudent approach for pension funds', Conference on Alternative State and Local Policies, Africa Fund, 1981.

National Action/Research on the Military/Industrial Complex. 'Investing in apartheid', Philadelphia, 1984.

B Rogers and B Bolton, 'Sanctions against South Africa: exploding the myths', Christian Concern for Southern Africa, London.

UN Economic and Social council, 'List of transcendental corporations which operate in strategic sectors of the South African economy', 1983.

Leaflets

'Economic disengagement and South Africa: the effectiveness and feasibility of implementing sanctions and divestment', ACOA, 1984.

'Make It Massachusetts—not in South Africa: how we won divestment legislation', ACOA, 1983.

'Divesting from apartheid: a summary of state and municipal legislative action', ACOA, 1983.

'The Sullivan Principles: no cure for apartheid', ACOA, 1980.

'US dollars in South Africa: context and consequences', ACOA, 1978.

South Africa Review Service, reports on individual US Companies, IRRC.

Peru's Alan García: supplanting the old order

In April and July 1985 two notable events occurred in Peruvian politics. On 14 April the nation's oldest political party, the Alianza Popular Revolucionaria Americana (APRA), or American Popular Revolutionary Alliance, finally won a general election under its own name sixty years after its foundation. Then on 28 July the outgoing president, Fernando Belaúnde, handed over the presidential sash to APRA leader Alan García. Not since 1912 had a democratically elected government managed to avoid being ousted by a military *coup d'état* before its term in office had expired. This article examines the background to these events, commencing with an analysis of certain important political developments in the period leading up to the April hustings. It goes on to describe the campaign strategies and performance of the four major political groupings contending for power. Following this, an analysis of the election results is made. Finally, the programme and perspectives of the new APRA administration are discussed.

The decomposition of Acción Popular as a political force

After a decade in exile during the military governments led by Juan Velasco and Francisco Morales Bermúdez, 1980 saw ex-president Fernando Belaúnde stage a remarkable political comeback. In the May elections of that year, he garnered 45.4 per cent of valid votes cast for the presidency, while his party, Acción Popular (AP), obtained 40.9 per cent and 39.6 per cent of legitimate votes polled for the Senate and House of Deputies respectively.¹ Such widespread support placed AP far ahead of rival political groupings, and on 28 July 1980 Belaúnde assumed the presidency for the second time. Coming as it did after twelve years of military rule, the new administration enjoyed a honeymoon period of six months and was able to register further successes in the municipal elections held on 23 November 1980.

¹ Jurado Nacional de Elecciones, *Resultados de las elecciones presidenciales de 1980*, Lima 1982.

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Nationally, AP emerged as the predominant political force in the municipalities, receiving 35.7 per cent of the vote.

Unfortunately for Belaúnde and AP, twelve months later these levels of popularity plummeted as expectations raised by the change-over from military to civilian rule were dashed. Central to this political transformation was the administration's inept handling of the economy. Belaúnde appointed international financier Manuel Ulloa to the key posts of Prime Minister and Finance Minister. Ulloa then formed a team, known as 'The Dynamo', of young technocrats and bankers trained in the US and firmly within the neo-classical tradition. This group started to implement policies that they hoped would convert Peru into a South American Taiwan. Tariffs were lowered with a view to increasing the international competitiveness of Peruvian manufacturing industry. The Dynamo also made efforts to expand Peruvian raw material exports. To assist export promotion, a policy of continuous mini-devaluations was introduced; denationalisation and the cutting of subsidies on basic commodities also formed part of their monetarist package. Attempts to attract additional foreign investment through a relaxation of regulations governing the remittance of profits were also pursued.²

Nevertheless, a thoroughgoing monetarist project on Chilean lines was not forthcoming due to divisions inside AP. In contrast to his economic team, President Belaúnde still hankered after the 'developmentalist' goals that characterised his first administration between 1963 and 1968. This position was supported by many influential politicians inside AP, especially the provincial parliamentarians that oscillated around Javier Alva Orlandini. Due to these pressures, state investment in infrastructure, especially roads, hydro-electric installations and large-scale irrigation schemes inherited from previous military regimes, initially increased.³ Given that the Dynamo were opposed to acquiring the cash to pay for this expenditure through taxing businesses, the government resorted to raising additional foreign loans, printing money and collecting revenue from higher taxes on domestic petroleum sales.

By chance rather than design, the economy registered a mild recovery amounting to 3 per cent of GDP in the financial year 1980–81, thanks largely to a 12.7 per cent increase in agricultural production as the

² The best general introduction to Peru during this period is the Latin America Bureau's, *Peru Paths to Poverty*, London 1985. Also see J Petras, M Morley and E Havens, 'Peru: capitalist democracy in transition', *New Left Review* (142) November–December 1983, pp 30–53.

³ Latin America Bureau, *Peru*, pp 79–80.

countryside recovered from the previous year's drought. The construction industry also registered an 11 per cent growth, an upsurge partly stimulated by state-backed development projects.⁴ But the contradictions inherent in the government's commitment to monetary control on the one hand, and state spending on the other, could not lie dormant for long. Efforts by monetarists inside the government to curb Belaúnde's desire to be a spending president had by the end of 1981 proved unsuccessful. Public works projects and continued high expenditure on arms helped to push up the foreign debt from US\$9,594 million in 1980 to US\$11,340 million in 1982. Over the same period, central government deficits rose from 2.8 per cent to 3.9 per cent of GDP.⁵ Higher foreign borrowing was resorted to because of a shortage of foreign exchange. In the first place, export earnings fell due to a steep reduction in commodity prices in 1981: taking 1976 as a base year, the terms of trade index stood at 120 in 1980, but fell back to 100 in 1981 and 86 in 1982. Simultaneously, the cut back in foreign earnings was exacerbated by the reduction in CERTEX subsidies on non-traditional exports forced through by the Dynamo.⁶

If Belaúnde's public works Keynesianism acted to heighten economic difficulties, the monetarist policies pursued by the neo-classical element in the government rapidly led the country to economic disaster. Reducing tariffs resulted in a flood of luxury imports and dumping, developments that sparked off a process of deindustrialisation as businesses folded. Manufacturing output declined by more than one-fifth over the first two years of AP government. The trade deficit rose from US\$101 million in 1980, to US\$1,728 million in 1981 and US\$1,609 million in 1982.⁷ Bankruptcies also reduced state revenues at a time when expenditure rose significantly: taxes as a percentage of GDP fell from 20.5 in 1980 to 14.1 in 1983.⁸ One other important effect of government policy was a rapid increase in inflation. Stimulated by the removal of subsidies on basic commodities, particularly foodstuffs and petrol, inflation raced upwards from 60.8 per cent in 1980, to 125.1 per cent in 1983; this is according to official statistics.⁹ This inflationary

⁴ *Actualidad Económica*, No. 59, February 1983.

⁵ Banco Central de Reserva del Perú, *Boletín*, May 1983.

⁶ D Schydrowsky, S Hunt and J Mezzer, *La promoción de exportaciones no tradicionales en el Perú*, ADEX, Lima 1983. CERTEX (certificado de reintegro tributario a las exportaciones): a tax refund aimed at promoting non-traditional exports. The rate varies to some degree according to sector and in some commodities was 30 per cent of value of exports.

⁷ Banco Central de Reserva del Perú, *Boletín*, May 1983.

⁸ *ibid.*

⁹ *ibid.*

spiral was boosted by the policy of constant mini-devaluations implemented by the Dynamo as the technocrats strove to maintain the competitiveness of Peruvian exports. In 1980 the *sol* was devalued by 36.6 per cent. By 1982 this figure had risen to 90.7 per cent, reaching 135.5 per cent in 1983.¹⁰

In 1982 the economy stagnated and in 1983 collapsed as GDP fell by 12 per cent. Instead of bringing economic regeneration, the satisfaction of the population's high desire for consumer durables and the million new jobs promised by Belaúnde in his election campaign, the AP government had managed to engineer the worst economic crisis in Peru this century. Using 1973 as a base year, real wages fell from 69 in 1980 to 58 in 1982 and 43 in 1983. Over the same period salaries decreased even further, from 56 to 48 and 36.¹¹ By mid-1984 only 30 per cent of the workforce was in full-time employment, while 62 per cent of the economically active population was underemployed. As a result of the government's economic policies between 1980 and 1984, over 20 per cent of Peru's industrial workers had lost their jobs.¹² The informal sector of the economy increased still further and the already miserable living standards of the majority of Peruvians fell to historically low levels.

As a result of this incompetent management of the economy, by mid-1983 support for the government had slumped to 17 per cent of the electorate, while the popularity rating of President Belaúnde stood at 20.9 per cent.¹³ Popular discontent with AP was heightened by growing corruption within the state bureaucracy, as AP placed its supporters into official positions in a vain attempt to build up a party apparatus. More open police corruption, a breakdown in law and order, food shortages and an inability to tackle the guerrilla problem were other factors contributing to this rise in public hostility towards Acción Popular. Responding to attacks on their living standards, the Peruvian working class staged a series of general strikes that registered varying degrees of success. Stoppages on a plant or sectoral basis also increased markedly. Municipalities organised a succession of regional mobilisations aimed at obtaining higher central government funding. In addition, the incidence of street violence and crime soared as the economic plight of large sectors of the population became more and

¹⁰ *ibid.*, May 1984.

¹¹ *Actualidad Económica* (73) April 1984.

¹² Latin America Bureau, *Peru*, p 94.

¹³ *Caretas* (758) 25 July 1983.

more desperate. By January 1984 the culmination of all these developments gave the impression that the government had lost control of the situation, had no direction and that society was falling apart.

Ever since its foundation in 1956, Acción Popular had shown itself to be a party possessing no clear ideological foundation, with a tendency towards fierce internal rivalries, ambitions and splits. Given this history, it was to be expected that widespread popular hostility towards the Acción Popular government would produce severe ructions inside the party. Trends in this direction were also encouraged by the inability of Belaúnde to stand for reelection. A central figure fomenting internal dissension was Javier Alva Orlandini. Beginning in the latter months of 1980, from his position of second Vice-President and leader of the Senate, Alva-Orlandini issued public statements attacking the economic policies pursued by Ulloa and the Dynamo. These criticisms were never fully thought out or developed, and no coherent alternative economic policy was ever advanced by Alva.¹⁴ While openly disagreeing with important aspects of government policy, Alva was sufficiently astute never to make uncomplimentary statements against party *caudillo* Belaúnde. He also ensured that whenever opposition motions of censure were tabled in the Senate he voted with the government majority. By playing on grass-roots disquiet about the economic policies of the government, Alva managed to emerge as the recognised leader of provincial *populista* members of parliament, and from this springboard got himself elected as party general secretary in 1982. An extremely able *apparatchik*, the senator from Cajamarca then began to use his control of the party machine to promote his ambitions of becoming Acción Popular presidential candidate in 1985.

Many influential figures in AP wished to thwart Alva's ambitions. This faction was centred on the Lima branch of the party, those connected with the international business community and certain prominent figures among AP's parliamentary representatives, such as Fernando Calmell del Solar. The group coalesced around Manuel Ulloa, who resigned as Finance Minister in December 1982 amid a financial scandal, and who had made clear his presidential aspirations in late 1983. Over the early months of 1984 a fiercely waged contest developed between these two factions, on occasions degenerating into public insults and fisticuffs between rival parliamentarians. For his part,

¹⁴ Alva once tried to produce an alternative economic strategy in 1982, but it was so vague that it became a topic of public ridicule and was quickly shelved. On this see *Caretas* (789) 5 March 1984.

President Belaúnde attempted to remain above the fray and avoided coming down in favour of either Alva or Ulloa. Well aware of the electoral limitations of both incumbents, Belaúnde felt that the only way the Peruvian right could avoid a crushing defeat in the forthcoming general election was through an alliance with the other major right-wing party, the Partido Popular Cristiano (PPC). Together they might attract sufficient votes to get into the second electoral round, where by playing the anti-*aprista* card, they stood a chance of being re-elected. Accordingly, in January 1984 Belaúnde voiced the possibility of an electoral alliance with the PPC, even going so far as to speculate that PPC leader Luis Bedoya Reyes might be presidential candidate in the event of a joint slate.¹⁵

Alva and Ulloa opposed this threat to their political ambitions, and continued their contest within AP to be nominated as the party's presidential candidate. This was very much a one-sided contest. Despite intense efforts, Ulloa could not break the hold Alva exercised over the party machine. To ensure that this did not happen, the general secretary resorted to all the usual devices. Multiple party cards were issued to many *alvista* supporters. Lists of party membership were drawn up that excluded known sympathisers of the *ulloista* faction. Outsiders with no history of militancy in AP were recruited, issued with backdated party membership cards and paid cash to vote for *alvista* acolytes. Consequently, when internal elections were held on 15 April 1984 to nominate new district committees in Lima, Alva supporting candidates swept home in thirty-eight of the forty-two districts. Malpractice was widespread and brought some unlikely results. For example, in the district of Santa Rosa, the *alvistas* won by a margin of 290 votes, when the register used in the November 1983 municipal elections contained 260 votes, of whom only 168 had marked their cross in favour of Acción Popular. Even more blatant was the fraud perpetrated in the district of La Victoria. Here the *alvistas* won by five thousand votes to nil! On the day these internal elections were held, the *alvistas* hired four buses to ferry their supporters (who had been issued with more than one membership card) from district to district.¹⁶

Alva's control over the party in the provinces was even stronger than that which he enjoyed in Lima. Thus, although attempts were made to clean up the process of candidate selection in subsequent months, Manuel Ulloa was unable to make headway. After a series of party

¹⁵ For further details see *Caretas* (785) 6 February 1984.

¹⁶ *Caretas* (796) 23 April 1984.

assemblies, on Saturday, 13 October 1984 delegates attending the Sixth National Congress of AP overwhelmingly nominated Javier Alva Orlandini as their presidential candidate. In the interests of party unity, Manuel Ulloa and another leading *populista*, Sandro Mariátegui, were selected as Vice-Presidential running-mates. This was against the wishes of President Belaúnde, who had continued with his plan of cementing a right-wing alliance. With Alva, Bedoya, and Ulloa all insisting that they should be presidential candidates and unwilling to accede to a rival, this project foundered on the rocks of personal ambition.¹⁷ In a last attempt to prevent an electoral disaster, the President then tried to unite the right around the candidature of a prominent independent, the novelist Mario Vargas Llosa. Again, this project failed due to opposition from those aspiring for the nomination of presidential candidate. As a result, the Peruvian right committed electoral suicide by entering the 1985 election campaign divided. To make matters worse, the largest political party of the right, Acción Popular, had lumbered itself with a presidential candidate who was an able political manipulator, but totally lacked charisma or popular appeal.

Since July 1980 the PPC had been a minority partner in the Belaúnde government, being allocated two ministerial posts in return for support in parliament. Aware of the administration's great unpopularity, in April 1984 Luis Bedoya forced the PPC ministers to resign. This move was undertaken with one eye on the forthcoming general election. Bedoya and the other party managers hoped, vainly as it turned out, that by distancing themselves from Acción Popular they could escape some of the massive repudiation heaped on the government and so better their electoral position. Meanwhile, the PPC continued to back the ruling party in Congress. Once attempts at forging a joint slate with Acción Popular collapsed, Bedoya made his criticisms more open, on one occasion accusing Alva of being 'mentally immature'. Then an alliance with the dissident *aprista* Andrés Townsend was established to fight the April 1985 election under the title of Convergencia Democrática (CODE).

The recuperation of APRA

While factional and personality disputes rumbled on inside AP, one of

¹⁷ See the interview with Javier Orlandini published in *Caretas* (802) 4 June 1984.

the traditional political opponents of the governing party was attempting to regroup and present itself as a viable alternative administration. The 1980 general election had proved a great disappointment to APRA. Having obtained 35.3 per cent of the vote in the 1978 constituent assembly poll, the party confidently expected to win the 1980 election by a comfortable margin. Flush with money provided by the European Second International and Acción Democrática in oil-rich Venezuela, APRA waged an expensive campaign in 1980 and anticipated victory. This failed to materialise. The central campaign slogan 'APRA has the strength', lost the party thousands of votes as electors remembered unsavoury aspects of party history. To make matters worse, APRA presidential candidate Armando Villanueva not only physically resembled, but had been, a *búfalo*, or a member of the party's squad of thugs organised to maintain party discipline and assault opponents. Political rivals were at pains to highlight this gangster element in APRA history, and achieved considerable success as many independent and left votes went to Belaúnde as 'the lesser evil'. Another factor used to reduce APRA support was the fact that Villanueva was married to a Chilean woman, which led to a dirty campaign in the right-wing press. As a consequence of these developments, in May 1980 APRA only gained 27.4, 27.6 and 27.1 per cent of the poll for President, the Senate and the House of Deputies respectively. Such a heavy defeat worked to exacerbate the divisions that had surfaced in 1978 and after the death of party *caudillo* Victor Raúl Haya de la Torre had removed his unifying influence.

Soon after the May 1980 débâcle, two main tendencies emerged more visibly inside the once near-monolithic party. One revolved around general secretary Armando Villanueva and represented a left current within APRA. The *armandistas* wanted a cautious return to some of the old radicalism that had characterised early party history between 1924 and 1940. During the 1970s APRA's image as an anti-status quo party was successfully challenged by an increasingly vociferous and organised left. In order to meet this competition on its left flank and present itself as an attractive alternative to a politicised younger generation, Villanueva and his supporters argued that APRA had to portray a more radical image. Opposed to this perception of APRA's role in Peruvian politics was the faction headed by Andrés Townsend. Many adherents of this group entered and administered the party during its conservative middle age (1940-68), a period in which APRA supported oligarchic

presidents, opposed agrarian reform and was rabidly anti-communist.¹⁸ Following the May 1980 elections these different interpretations of *aprismo* burst out into the open, coming to a head at the twelfth Party Congress held in Trujillo during the first week of August 1980. At this congress the nominee of Armando Villanueva for general secretary was approved. Opponents were incensed as charges of fraud in the selection of delegates abounded. Eventually two hundred delegates supporting the Townsend faction walked out of the congress, among them Luis Alberto Sánchez and Ramiro Prialé, both important figures in the party's upper echelons. During the walk-out octogenarian Sánchez was roughed up by *armandista* delegates.

Immediately after the conference, attempts were made to bring the dissidents back into the APRA fold, and met with a degree of success when Sánchez and Prialé agreed to reintegrate themselves. To secure this, Sánchez was offered the position of APRA leader in Congress, while Prialé was given the task of organising a special party convention that would deal with the complaints of the rebels and try to reincorporate them into APRA. Townsend was not placated by these conciliatory moves and started to launch attacks against the leadership in the press, calling them 'traitors, usurpers and anti-democratic'.¹⁹ The leadership responded by expelling Townsend on 9 January 1981. Townsend then proceeded to form a political grouping named the Movimiento de Bases Hayistas, and claimed that he was the true heir to the political testament of the party founder Haya de la Torre. Inside APRA, defeat at the polls (the party vote further declined to 22.7 per cent at the municipal elections of November 1980), and what was perceived as poor handling of the dissident question, seriously weakened the position of Villanueva. This created the political space for the emergence of a third tendency within APRA's National Executive Committee. Its leading figure was Alan García Pérez.

¹⁸ Founded in Mexico in 1924 and seriously organised inside Peru from the late 1920s, the first phase of APRA's existence was characterised by the adoption of a populist and nationalistic programme. Anti-imperialism and hostility towards the Peruvian 'oligarchy' formed an essential part of Haya de la Torre's strategy for building a multi-class radical organisation based on medium- and small-scale entrepreneurs, the professional middle class, workers, artisans and peasants. In 1932 APRA launched a number of unsuccessful 'revolutions' in northern Peru, and following their defeat, suffered a period of repression. During the 1940s the party started to move to the right, a process that culminated in 1956 when it entered into a pact with representatives of the Peruvian elite and backed the conservative government of Manuel Prado. See M Valderrama, J Chullén, N Lynch and C Malpica, *El APRA: un camino de esperanzas y frustraciones*, Lima 1980. On the growing split within APRA see R González, '1978-1981: cronología de un conflicto', *Debate* (7) March 1981.

¹⁹ R González, 'La división del APRA', *Que Hacer* (11) July 1981, p 43.

Villanueva had placed García in charge of party organisation. From this position of control over the party machine, García and his staff organised the nomination of Villanueva as presidential candidate and hounded sympathisers of the rival Townsend faction. García was also campaign manager for Villanueva in 1980 and declared himself 'an *armandista* one hundred per cent'. Soon after the electoral débâcles of 1980, however, the young lawyer began to distance himself from his *patrón*. Surprisingly given that he had been orchestrating the anti-Townsend campaign inside the party, García started to argue for a more conciliatory posture towards the dissidents. He made overtures to those expelled or separated from the party and called for an amnesty. Dismissing the left as an electoral force, and claiming that Villanueva had failed as a leader, García maintained that the 1985 election would be fought against an AP-PPC alliance, or the two right-wing parties fighting separately. In this contest, García argued, Andrés Townsend was the only APRA candidate who could successfully confront Bedoya, Ulloa, Alva or Orrego, the AP mayor of Lima who was rumoured to be a nominee of Belaúnde because he was favoured by the President's wife. Naturally, when mooting this scenario, García made no reference to his own presidential aspirations. When calling for an amnesty, García also presented a number of other proposals to the NEC. He advocated a complete revamping of APRA's political style and image. The party should distance itself from certain members of the cocaine mafia who had reputedly helped finance the 1980 election campaign. The long-established sectarianism of the party should be dropped, and the activities of the *búfalos* restrained. APRA needed to democratise its structures, make the party more open to independents and try to attract a far wider level of support than the 25 per cent of the population who were traditionally *aprista*.²⁰ According to García, APRA needed to convert itself into a moderate social democratic party along the lines of the PSOE in Spain. These proposals earned García the criticism of being disloyal from Villanueva, his former colleagues in the control commission and older generation party stalwarts. On the other hand, the appeals for unity made by the young deputy proved very popular among rank-and-file party members, who above all else desired an end to the leadership squabble and the *caudillismo* of Villanueva and Townsend. Calls for a change in APRA political style enhanced García's claims to be a party leader of national stature. He also received

²⁰ See the interview with Alan García in *Caretas* (653) 22 June 1981.

backing from important party veterans Sánchez and Priolé, who sheltered him from attack and encouraged his initiatives.

These pressing internal problems prevented APRA from making a coherent and effective opposition to the AP government in 1981 and 1982. Nevertheless, by early 1983 signs began to emerge that this crisis was slowly being overcome. Employing his new-found stature inside APRA to good advantage, and benefiting from the inability of more established leaders to reach agreement on a mutually acceptable candidate, García was elected general secretary in a turbulent party congress held in October 1982. The new party boss then proceeded to implement the changes he deemed necessary if APRA was to reverse its political decline and win the 1985 presidential election. Moves were made to attract independents and adopt non-sectarian postures. García also strove to clean up the party image by breaking links with the cocaine mafia. Stress was laid, through a well-orchestrated public relations campaign, on party unity. The positive impact of these manoeuvres was illustrated in the municipal elections held in November 1983, when APRA, aided by widespread discontent with the government, raised its total number of votes by 46 per cent compared to November 1980. With 33.2 per cent of the national vote, the party stood four points ahead of its nearest rival. Such a positive result in November 1983 could only strengthen the position of the young general secretary and endorse the changes he was attempting to bring about. Thus, when elections were held in February 1984 to select the APRA presidential candidate, García won comfortably. His candidature was announced on 24 February 1984, APRA's 'day of fraternity' that the party faithful celebrate each year to commemorate the birthday of party guru Haya de la Torre. APRA was the first major political grouping to select its presidential candidate. In fact, Alan García had been so confident that his nomination would be successful, that he had in effect initiated his election campaign in January 1984. Such an early start was to be of immense advantage and make a valuable contribution to APRA's eventual victory in April 1985.

Left regroupment followed by stagnation

As with APRA, the general election of 1980 proved an abysmal failure as far as the left were concerned. In the 1978 Constituent Assembly elections left-wing candidates obtained 30 per cent of the poll and hopes were high that this level of support could be repeated or even surpassed in 1980. To attain this, it was necessary to present a unified electora

front. Despite rank-and-file pressure in favour of this, the sectarianism and *caudillismo* that has characterised left-wing politics in Peru could not be overcome. On the eve of the deadline set for registering a list of candidates representing all the important tendencies, the left alliance fragmented.²¹ Five separate candidates of the left contested the presidency with their respective lists of candidates for parliament, a situation that created widespread dissatisfaction among left sympathisers. In the ensuing electoral disaster, many on the left voted for Belaúnde as the best way of preventing an APRA victory. With its forces dispersed, each left slate received a derisory share of the poll, and overall they obtained less than 18 per cent of valid votes cast.

Such a bitter experience brought renewed efforts in the immediate post-election months to construct left unity around a minimum programme acceptable to the various organisations. Out of this process emerged Izquierda Unida, a coalition of *velasquistas*, the pro-Moscow CP, several Maoist parties and groups with a Guevarist tradition. The first real test of this new electoral alliance occurred in November 1980, when municipal elections took place. The left vote was raised by 60 per cent in Lima and the nascent political bloc beat APRA to take second place behind AP. Victory was obtained in Peru's second city, Arequipa, as well as five other departmental capitals. Nationally, the left alliance garnered 24 per cent of the vote, slightly more than APRA.²² Although IU failed to centralise itself administratively and act as a cohesive political unit, during 1981 and 1982 the alliance was able to benefit from APRA's preoccupation with internal disputes, to emerge as the major opposition bloc to the AP government, both in parliament and on the streets. This laid the basis for a creditable performance in the municipal hustings culminating in the elections of 13 November 1983. Dapper *serrano* lawyer Alfonso Barrantes, with his down-to-earth manner and provincial wit, out-debated his main rival for the mayorship of Lima, the young and inexperienced APRA candidate Alfredo Barnechea. An intelligently conducted campaign brought IU 36.5 per cent of the poll, and victory in Lima. Nationally, the left received 28.9 per cent of the vote, a level of support within sight of the 33.2 per cent obtained by APRA. Splits within the left alliance lost IU two important

²¹ For background information see, *ARI: por qué y como se desintegró?*, Ediciones Sociedad y Política, Lima 1980.

²² Jurado Nacional de Elecciones, *Resultados de las elecciones municipales de 1980 y de las elecciones municipales complementarias de 1981*, Lima 1984.

municipalities, those of Arequipa and Tacna, but this was partly compensated for by victory in Cusco and Huancayo.²³

The outcome of the November 1983 poll indicated that the main threat to APRA's hopes of victory in April 1985 would come from the left. Militants in both political camps realised that the degree of success registered in the forthcoming general election depended on which force could place itself at the head of the opposition, tap popular discontent and project itself as a viable alternative government. By its very nature IU was distracted from this task. Whereas APRA was a single political party with a long tradition of internal discipline, and by early 1984 was united behind the candidacy of Alan García, the situation in IU was not so clear cut. IU was a newly established electoral alliance containing a wide range of left groups with very different political traditions and a history of sectarian rivalry. From mid-1984, jockeying for position both *vis-à-vis* the composition of the presidential ticket, and to gain a favourable ranking in the list of parliamentary candidates, became intense. The left started to devote a lot of energy to these internal matters at the expense of leading the struggle against AP and its unpopular economic policies. Not until October 1984, when the deadline for registering candidates approached, did IU manage to agree on its presidential ticket. With Barrantes standing for President, Enrique Bernales of the Partido Socialista Revolucionario as first Vice-President, and Agustín Haya de la Torre of the Partido Unificado Mariateguista as the second Vice-President, the left had managed to concoct a well-balanced team quite capable of holding its own in debate with any of its rivals. However, the ponderous and acrimonious selection process had lost IU vital months of electioneering and placed its position as leader of the opposition to the AP government in jeopardy.

APRA lays the foundation for victory in 1984

Meanwhile, APRA had been building up its campaign since the beginning of the year. Discussions at various meetings of APRA's National Executive Committee in November and December 1983 analysed why Alfredo Barnechea and the party lost the Lima municipal election. One important conclusion drawn was that defeat was partly due to the fact that in 1982 and 1983 IU had put itself at the head of the opposition to Belaúnde. It was deemed crucial, therefore, that APRA

²³ F Tuesta, *El nuevo rostro electoral: las municipales del 83*, Lima 1985.

challenge the left on this terrain and try to win the initiative. One measure García adopted to attain this end was to seek greater coherence in APRA's hitherto patchy parliamentary performance. Efforts were made to make the party's attacks on the government in parliament harder hitting and give them a higher profile. With this end in mind, APRA's general secretary addressed an open letter to the President during the first week of January 1984. This called for the resignation of the Finance Minister Carlos Rodríguez Pastor and a reversal in government economic policies. Even though the document was extremely vague and contained no concrete proposals, it did become the subject of wide discussion and took the limelight away from the left leader, Barrantes, who was currently engaged in discussions with President Belaúnde on the question of municipal funding.²⁴ Employing similar tactics, over the ensuing months APRA parliamentarians registered success in projecting the image of a coherent and vociferous opposition, although no well thought-out alternatives to existing government policies were ever forthcoming. Hand in hand with this attempt to increase its stature on the parliamentary terrain, García eschewed his former reticence on the question of labour unrest and started to make public pronouncements in support of workers engaging in strike action. This return to the old APRA populism was a tactic aimed at winning over working- and middle-class sectors of the population, especially in the electorally crucial Lima conurbation, that had given their support to IU in 1983.

Apart from these developments, a campaign was launched through the media to project García as a young dynamic leader who possessed the energy to tackle the nation's pressing problems. With respect to this, APRA tacticians were acutely aware that García's age—he was thirty-five in 1984—was a vulnerable point that his opponents would seek to exploit. In an attempt to shield their candidate from the charge of inexperience, a series of foreign tours was planned. On a trip to Venezuela in February 1984, the youthful general secretary made sure that he was photographed alongside Carlos Andrés Pérez, the ex-President of Venezuela and Felipe González, the Spanish Prime Minister. Other visits to Europe, North Korea and Cuba followed and meetings with heads of states arranged.

APRA's goal of replacing the left and substituting itself at the head of the opposition in 1984 was greatly facilitated by problems besetting IU.

²⁴ *Caretas* (781) 9 January 1984.

In addition to the difficulties created by candidate selection, success in the November 1983 election for control of Lima council proved to be a handicap rather than the expected stepping-stone to the presidential palace. The rightist central government obviously had no wish to see the Marxist mayor succeed during his tenureship in the municipality, and so blocked funds. Million dollar loans contracted with the World Bank to finance a series of municipal projects were held up by the Finance Ministry in Lima. Credits from the central government were also mysteriously delayed. A similar fate overtook a US\$30 million project to update the obsolete property register, a scheme that would augment municipal finances by a factor of three. As a consequence of these manoeuvres, the Lima council found that it only had sufficient funds to meet a third of its most essential expenditures. No improvement in the cleanliness of the city occurred—most of the rubbish disposal vehicles were immobile and no cash was available to purchase spare parts—with the result that Barrantes' popularity decreased. Other factors heightening discontent with the performance of the IU council were an inability to prevent the *ambulantes*, or street sellers, reinvading the town centre, as well as problems that arose with municipal employees demanding higher wages. A series of strikes developed, adding to the accumulation of rubbish on the streets and tainting the image of the mayor. The success of the IU campaign to provide one million glasses of milk each day to young children settled in Lima's shanty towns was not sufficient to offset the strident attacks against Barrantes and the IU made in right-wing publications such as *La Prensa*, *24 Horas* and *Oiga*. As a result of this press campaign and its own inadequacies, the standing of the IU council in Lima had already fallen sharply by June 1984, a development that was to have important electoral repercussions ten months later.

The election campaign

The first round of serious electioneering took place in November 1984. Opinion polls conducted in late November 1984. Opinion polls conducted in late November confirmed expectations that APRA would be the front runner. Over half (51.8 per cent) of electors canvassed declared that they would vote for Alan García. Only 15.1 per cent and 13.9 per cent expressed support for Luis Bedoya of the PPC and Alfonso Barrantes of IU respectively. AP candidate Alva Orlandini was

placed a poor fourth, with only 4.6 per cent.²⁵ Although far from infallible, such polls provided a good indication of how effective APRA strategy had been in 1984. The party symbol had been changed from the traditional star to a dove, denoting peace and social reconciliation. Villanueva's 1980 slogan 'APRA has the strength', had been dropped to be substituted by García's 'My commitment is to all Peruvians' and 'Democracy begins with the poorest'. The latter phrase formed part of APRA's populist appeal aimed at wooing the most deprived sectors of the electorate away from IU, while the former was devised to highlight APRA's new anti-sectarian image and project the party as a more open democratic body willing to cooperate with other political forces. True or not, this message proved extremely attractive to many electors and was seen to produce results when the miniscule Christian Democrat party announced that it would back APRA. In January 1985 García's policy of winning as many allies as possible registered another minor success when Solidaridad y Democracia, an institution headed by two economists (Javier Silva Rute and Manuel Moreyra) who had held top positions during the Morales Bermúdez military dictatorship, also declared its support for Alan García. These, as well as the other tactical changes already mentioned, had helped APRA increase its popularity by 20 per cent in the twelve months after November 1983.²⁶

Being so far ahead of their nearest rivals had an important impact on APRA campaign strategy. On numerous past occasions the party had appeared set to win an election, but with victory in sight had eventually lost after a series of last-minute blunders. This had happened in 1963 and again in 1980. More recently, a similar fate had befallen APRA's candidate in the Lima municipal elections of November 1983. A crucial turning point in the latter campaign was a series of televised debates in which Barrantes of IU had outshone APRA's nominee. García's campaign managers were well aware of this APRA tradition and feared that a repetition of these events would seriously harm their candidate. Consequently, on only two occasions was García allowed to sit on the same platform as his presidential rivals. One was before an audience of Peruvian businessmen in November 1984, and the other at a meeting of

²⁵ *Casetas* (828) 3 December 1984. The techniques of conducting opinion polls are as yet underdeveloped in Peru. Samples tend to be small and Lima biased. Since the municipal elections of November 1983 attempts have been made to predict voting trends in the most important provincial towns, but overall Peruvian opinion polls remain unsophisticated.

²⁶ *Casetas* (778) 12 December 1983.

the National Agricultural Council (CUNA) in January 1985. At these events the candidates outlined their policies for the industrial and agricultural sectors, with no televised debate taking place. Several face-to-face confrontations between the four major contenders for the presidency had been programmed, but García refused to attend any of them, claiming that he was too busy on the hustings around the country. APRA campaign managers were aware of García's nervousness in debate and feared that he would receive a mauling at the hands of experienced polemicists like Barrantes and Bedoya. As the front runner, the other three candidates would be primarily intent on attacking García. In such a situation the APRA candidates' inexperience and the party's lack of detailed policies ran the risk of being exposed. After conducting their own opinion poll on the issue, APRA's campaign strategists correctly assessed that the loss of support caused by their candidates' refusal to debate would be small compared to the potential damage resulting from a poor performance before the television cameras. Notwithstanding their massive lead in the opinion polls, APRA's election strategy consequently had an important defensive aspect.

Instead of attempting to win support on the basis of political debate, APRA mainly relied on a small number of well-packaged advertisements. These concentrated on projecting the image of Alan García as a Peruvian equivalent of the Spanish Prime Minister Felipe González. Dubbed over footage of García on the beach talking to fishermen, in the *sierra* with Andean peasants or speaking to a packed *plaza*, was a jingle, to the music of the popular waltz '*Mi Perú*' stating what a beautiful country Peru is and how proud García is to be a Peruvian. Rounding off the nationalist message came the slogan 'My commitment is to all Peruvians'. No policy statements, but effective propaganda. Thus at a national level, APRA's campaign helped to distract attention from its lack of anything approaching a detailed political programme that addressed the nation's pressing problems. Indeed, not until after the April election did APRA publish its *Plan de Gobierno*. Even in his end-of-campaign election address on national television, Alan García never got beyond talking at the level of generalities. However, at the local level APRA parliamentary candidates did engage in debates with their rivals and produce detailed policies aimed at solving departmental or provincial problems. These were mostly revamped proposals that had been drawn up for the November 1983 municipal elections.

García's refusal to debate with the other presidential candidates made it far more difficult for his rivals to whittle away APRA's commanding advantage in the opinion polls. As the only serious competitor to APRA, IU found this especially frustrating. Part of IU strategy for narrowing the wide gap between the two front-runners was to engage the APRA presidential slate in televised debates, in the hope of deflating the image of Alan García while simultaneously raising that of Alfonso Barrantes. Moreover, the left was confident that any discussion on the respective party programmes would enable it to wrest some of the initiative away from APRA. Whereas APRA failed to produce a programme prior to election day, the IU *Plan de Gobierno* was published in March. Synthesising the work of eighty-three teams involving 520 individuals, this document stated IU policies on the debt problem, industrial and agricultural strategy, foreign policy, culture, decentralisation, political objectives and other major issues.²⁷ The production of this programme was facilitated by the left's dominance of intellectual life in Peru and IU's ability to employ the services of researchers who had been studying the country's economic and social problems for many years. Although the left held an advantage insofar as it had elaborated a more comprehensive political programme compared to competing forces, the absence of serious debates between the candidates prevented IU from utilising it to effect.

This problem was exacerbated by the disadvantageous position of IU in terms of media access. In 1980 the left could disseminate its message through the newspaper *El Diario*, which possessed a higher quality and a relatively larger circulation than the rest of the Peruvian press at that time due to the deadening impact of military censorship. By 1984 the usefulness of this avenue of communication was much reduced due to mismanagement and internal struggles to control the paper. Standards fell and so did circulation. Although the daily *La República* supported the left for much of 1984, during the election campaign a series of changes in its internal power structure led this newspaper to adopt a pro-APRA stance. The rest of the popular press were hostile to IU, with the result that the left found itself at a serious disadvantage when trying to get its message across to the electorate. Likewise, IU did not have access to the same amount of paid television time as the other major contenders for office. APRA received large sums from the Second International and Venezuela and could buy many slots. On the other

²⁷ *Plan de Gobierno de Izquierda Unida*, Lima, March 1985.

hand, IU had to rely far more on internal sources for funding, which did not produce gargantuan quantities of cash in a country suffering deep economic crisis.²⁸ Thus IU could not match APRA or the right in terms of the advertising time it could buy on television. For the same reasons, the left was unable to equal the slickness of APRA's propaganda effort, which was produced under the supervision of European political image-makers. Apart from financial problems, the efficacy of IU's campaign in the media was reduced by a lack of inventiveness, even though great improvements had been made when compared to the 1980 election.

Overall, the left could not complain of censorship. IU received its quota of free advertising time on radio and television. This is not to say that no discrimination took place. Most of the media completely ignored the impressive rally held in March 1985 to celebrate the Lima council's achievement of distributing one million glasses of milk a day to children in the shanty towns. On the current affairs programme *Conecciones*, which was broadcast every night, IU candidates were hardly ever invited, while APRA, PPC and AP politicians constantly appeared. Similar tactics were employed by every television channel. All presidential candidates were given a thirty-minute slot to address the electorate on the evening of the last day of hustings. The time allocated to Alfonso Barrantes was mysteriously changed without notice at the last moment and the IU leader arrived too late to appear.

Convergencia Democrática, the third major contender for power, continued to offer the electorate standard monetarist fare during its election campaign and severely criticised AP for fudging on this question. At meeting after meeting Bedoya was at pains to spell out that the only way Peru could overcome the crisis was to reduce state expenditure, denationalise and exercise a strict control over the money supply. To assist recovery, he argued, more aid should be given to those with capital, for this was the only way to increase employment and the wealth of the nation. This message did not prove very popular—in effect he was offering the electorate more of the same medicine—but it did present voters with a coherent right-wing strategy. An element of populism did nevertheless enter into Convergencia Democrática policy when they addressed the all-important issue of the foreign debt. Bedoya

²⁸ To help finance its campaign IU sought assistance from Gustavo Mohme, the head of an important construction company, and Miguel Mufarech, a textile manufacturer. In return these two entrepreneurs were given favourable slots in the IU list of candidates for the Senate. Both were elected

charged the international banks with usury and criticised 'American imperialism' for keeping interest rates high. The PPC leader argued that a drastic cut in interest rates allied to generous rescheduling was necessary, otherwise Peru would not be able to pay off its debt. Such attacks against this aspect of the world banking system by the leader of the Peruvian right failed to impress most electors.

Strategically, Convergencia Democrática rested its hopes on attaining a respectable second place in the 14 April poll. This, they anticipated, would result in a run-off election between APRA and themselves. When forced to choose between these alternatives, Convergencia Democrática could play the *antiaprista* card, so attracting votes from both left and right. According to this scenario, the Convergencia Democrática could overcome a relatively poor showing in the first poll eventually to win the presidential election. Encapsulating these expectations were two of the right's key slogans during the campaign: 'There's no first without a second', and 'Second in the first, first in the second'. These were the messages most frequently relayed to voters in Convergencia Democrática advertisements. In order to accomplish this strategy, CODE needed to reduce support for APRA and IU, first to ensure that APRA did not attain 50 per cent of the vote and outright victory in the first round, and second, to leapfrog over IU into second place. To achieve this, Convergencia Democrática propaganda stressed the 'totalitarian' nature of APRA and IU. The communist threat to Western civilisation was also publicised, as well as the reputed incompetence and inexperience of the two front-runners. By contrast, attempts were made to project the image of Luis Bedoya, laying emphasis on the fact that he had been an extremely successful mayor of Lima in the 1960s. Bedoya was thus a competent administrator, in contrast to García or Barrantes, who possessed the political determination and vision to pull Peru out of its current crisis. One other aspect of the Convergencia Democrática's efforts to improve the image of Luis Bedoya—in the past he had expressed admiration for Pinochet—was to point out repeatedly that the PPC leader came from humble lower middle-class origins. Campaign tacticians hoped that by emphasising this they could deflect attacks on the PPC as being a party of *pitucos*, or the rich. In addition to criticising APRA and IU, the Convergencia Democrática also tried to win votes from disillusioned AP supporters by claiming that a vote for the government party would be wasted, and it represented the only serious bulwark against the 'red peril.'

Given that the PPC was the main political backer of *Convergencia Democrática*, in electoral terms the rightist alliance had most of its support concentrated among middle-class voters in the Lima conurbation. The PPC's organisation in the provinces was, moreover, very weak. In an attempt to increase its vote more evenly over the country, at first most *Convergencia Democrática* meetings were held in the provinces, with Lima being reserved for the latter stages of the campaign. Naturally, as the alliance backed by the Lima elite, *Convergencia Democrática* experienced no problems in financing its campaign and attaining a large amount of media coverage. Its political propaganda was in part cleverly devised and well presented. The problem was that the message behind the jingles and nice-sounding slogans proved unpopular with an overwhelming majority of the electorate.

No noticeable economic improvement took place in 1984. Inflation rose to 150 per cent, unemployment increased, the currency devalued almost daily and living standards continued to fall. Misgovernment was evident in all walks of life. Against this backdrop AP started its election campaign. The ruling party appeared to have no chance of success and rumours circulated that it would withdraw in order to avoid a humiliating defeat at the polls. These rumours proved unfounded and Alva Orlandini made every effort to fight an aggressive campaign. Although AP was only registering 4.6 per cent support in opinion polls conducted in December 1984, these results were Lima-based. The party hoped that traditional AP strength in the provinces and its predominance in the departments of Amazonia would enable it to increase its share of the vote to a respectable level.

During its campaign, AP laid emphasis on the experience and technical ability of the party, an ineffective propaganda line given that most voters blamed AP incompetence for creating social and economic mayhem. Undeterred, AP politicians argued that the crisis was due to a variety of factors outside their control, such as the world recession, problems inherited from the military dictatorship, Sendero Luminoso subversion and left-wing agitation. Rather than being responsible for the present chaos, AP propaganda stressed that between 1980 and 1984 the government had completed more development projects than any other regime in Peruvian history. Faced with the current difficult situation, the task of government could be safely entrusted to just one political party. Both APRA and IU were totalitarian, undemocratic political forces. If either were elected, there was a real danger of

military coup. Alternatively, they would violate the constitution, undermine the country's nascent democratic institutions and try to establish one-party rule. On the other hand, Convergencia Democrática represented the rabid right. Its politicians were out of touch with Peruvian reality, and the election of Bedoya would provoke a left-wing backlash that would bring the country to the verge of civil war. AP thus represented the sole centrist political party in Peru and provided the only real option before the electorate.

So went the propaganda, and the AP enjoyed unlimited media access for disseminating its message. On the state-controlled Channel 7, propaganda in favour of AP was transmitted all day long. Every day, programmes showing President Belaúnde initiating public works projects or attending ceremonies to celebrate their completion, took up over three hours of viewing time. AP propaganda was broadcast *ad nauseam*, with intermittent showings of the Pope's visit to Peru in late January 1985. In these prominent Acción Popular politicians were seen in the presence of the Pope, with the implication being that the government party had papal backing. A similar barrage of AP propaganda was served up by Channel 4. Mauricio Arbulú, second-in-command of the party's election campaign holds a high position in that network. Despite the clear advantage enjoyed by AP with respect to the media, blatant official favouritism did not guarantee that their propaganda would be inventive or effective. Overall, this aspect of AP's election campaign was inferior to that devised by APRA. Nor did AP eschew the use of underhand tactics in order to get itself out of fourth place in terms of electorate preference. The state-controlled Channel 7 contracted an AP-supporting journalist employed on the conservative daily *El Comercio*, Alfonso Baella Tuesta, to produce an eight-part television series on the history of elections in Peru since 1930. This programme was broadcast in the weeks immediately preceding the April poll and its general editorial line was hostile to APRA. Alan García unsuccessfully tried to get its showing suspended until after the election. Events were soon to indicate that this crude attempt at stirring up traditional hostility to APRA, especially in Lima, proved a failure.

The election results

After a campaign characterised by banal sloganeering, a reluctance to present the electorate with detailed policy proposals and an absence of serious debate between the presidential candidates, voting finally took place on 14 April. Despite Sendero Luminoso's declared intention to

Table 1: Votes cast for presidential candidates (April 1985)

	<i>Votes</i>	<i>%</i>
APRA	3,457,030	45.74
IU	1,606,914	21.26
CODE	773,705	10.24
AP	472,627	6.25
Others	198,930	2.64
Invalid	553,586	7.33
Blank	494,390	6.54
Total	7,557,182	100.00

Source: Jurado Nacional de Elecciones

disrupt the poll, the ballot proceeded relatively trouble-free. With a few exceptions, the elections were clean. Four hours after the polling booths closed early results confirmed the predicted APRA landslide, but due to bureaucratic inefficiency the Jurado Nacional de Elecciones (JNE), or National Election Office, did not announce official results for the presidential component of the election until 1 June. These gave Alan García 45.74 per cent of the vote, more than double that obtained by IU (see Table 1). Although APRA fell short of the 50 per cent plus one vote necessary to register outright victory, IU president Alfonso Barrantes realised that the gap between the two front-runners was such that the left would have no chance in the second round. Barrantes made public his opinion and on 25 April a meeting of the general secretaries representing all the parties inside IU ratified the decision not to contest a run-off election.²⁹ Consequently, Alan García was declared the next President of Peru by the JNE on 1 June 1985.

APRA also garnered sufficient votes to command clear majorities in both chambers of Congress (Table 2). Such a majority was vital given the role played by a hung parliament in fomenting the Velasco coup against the first Belaúnde administration in October 1968. Support for the victorious party was naturally strong in its traditional stronghold of Northern Peru, the so-called *sólido norte*. In the birthplace of *aprisme*

²⁹ *El Comercio*, 26 April 1985. Discounting blank or invalid ballots, APRA obtained 53.1 per cent of the vote. Acción Popular had passed an amendment to the constitution making invalid any blank votes count in the computation of votes for the presidency. This change was motivated by desire to stop APRA winning on the first round. The right anticipated that it could come second in the first round and then beat APRA in the run-off.

Table 2: The distribution of parliamentary seats: 1985–90
(1980–85 figures in brackets)

	<i>Senate</i>	<i>House of Deputies</i>
APRA	32 (18)	107 (58)
IU	15 (7)	48 (7)
CODE	7 (6)	12 (10)
AP	5 (26)	10 (98)
Others	1 (3)	3 (7)

Source: Jurado Nacional de Elecciones

the department of La Libertad, the transferable vote mechanism for allocating parliamentary seats for the House of Deputies, gave APRA ten representatives out of eleven. IU managed to win the remaining slot. In the neighbouring department of Cajamarca, the electors voted in seven APRA deputies. Here IU obtained two seats, compared to none in 1980, while AP was reduced to a solitary deputy. Lambayeque department returned six *apristas* and two representatives of IU. So, although IU entered the political map for the first time in electoral terms, this was largely at the expense of Acción Popular, who saw its number of deputies slashed. APRA hegemony in its home territory remained as strong as ever (Table 3).

One region where APRA has traditionally been weak compared to Acción Popular and the left is Southern Peru. In this area APRA's share of the vote increased noticeably. Puno, something of a left stronghold, gave Alan García 107,191 votes compared to 80,159 cast in favour of Alfonso Barrantes. Similarly, in 'red' Cusco APRA's leader won 103,302 votes to IU's 85,685. Arequipa garnered the *apristas* 101,780 votes and IU 117,912 to IU.³⁰ With respect to the number of deputies elected in these departments, in Puno APRA attained three seats, the same as IU. *Indigenista* candidate Pedro Cáceres got himself elected, as did one member of Acción Popular. APRA and IU shared the eight deputies allocated to Cusco, while in Arequipa the two major political forces obtained three representatives each. Here Acción Popular and Convergencia Democrática shared the remaining three seats with an independent candidate.³¹ Thus APRA's vote in Southern Peru reached a historically high level. It appears that many people who voted for Acción Popular in 1980 switched their allegiance to APRA. On the

³⁰ Results from the Jurado Nacional de Elecciones, published in *La República*, 1 June 1985.

³¹ *El Comercio*, 20 May 1985.

Table 3: The distribution of seats in the House of Deputies by department and region

<i>Department</i>	<i>APRA</i>	<i>IU</i>	<i>CODE</i>	<i>AP</i>	<i>Others</i>
Ancash	7	2	—	—	—
Cajamarca	7	2	—	1	—
Lambayeque	6	2	—	—	—
La Libertad	10	1	—	—	—
Piura	7	3	—	1	—
Tumbes	1	—	—	—	—
<i>Northern Region</i>	38	10	—	2	—
Apurímac	2	1	—	—	—
Ayacucho	2	2	—	—	—
Huancavelica	1	2	—	—	—
Huánuco	3	1	—	—	—
Ica	4	1	1	—	—
Junín	4	4	1	1	—
Pasco	1	1	—	—	—
Lima (provinces)	5	2	1	1	—
<i>Central Region</i>	22	14	3	2	—
Arequipa	3	3	1	1	1
Cusco	4	4	—	—	—
Moquegua	—	1	—	—	—
Puno	3	3	—	1	1
Tacna	1	1	—	—	—
<i>Southern Region</i>	11	12	1	2	2
Amazonas	3	0	—	—	—
Loreto	3	1	—	1	—
Madre de Dios	—	—	—	—	1
San Martín	2	—	—	1	—
Ucayali	2	—	—	—	—
<i>Amazonia</i>	10	1	—	2	1
Callao	5	1	1	—	—
Lima	21	10	7	2	—
<i>Lima Conurbation</i>	26	11	8	2	—
Total	107	48	12	10	3

Source: Jurado Nacional de Elecciones

other hand, IU did not consolidate its position as the region's major political force after the November 1983 municipal elections. With respect to the Central Sierra, the two front-runners were approximately equal in strength. The important department of Junín gave 137,678 votes to García and 126,405 to Barrantes.³² Four APRA deputies were elected, along with four leftists. Convergencia Democrática and AP both succeeded in getting one representative into the House of Deputies. Ayacucho, the home of Sendero Luminoso, returned two *aprista* deputies and two for IU (Table 3). East of the Andes, the departments of Amazonia had for two decades been a bastion of Acción Popular. In April 1985 this traditional loyalty was swept away on the APRA tide.

Where APRA gained decisive advantage and turned the election wholly in its favour was in the Lima conurbation, which comprises nearly 40 per cent of the total electorate. The capital has a long anti-APRA tradition. Only once since 1931 has APRA won an election in Lima. Taking into account the strong showing of IU in the municipal hustings of November 1983, when the left won in twenty-one districts compared to APRA's five, and considering the strength of the PPC in the capital, it was speculated that APRA support would be lower than in the provinces. A poorer than average turn-out for APRA in Lima was potentially important, as it could have deprived García of a majority in parliament. This APRA fear did not materialise. The party registered a higher number of votes than IU in nineteen districts that had given majority support for Barrantes in 1983. Only in Ate and Independencia did the left vote increase. Its share of the poll slumped significantly in Comas and San Martín de Porres, two districts with a high proportion of shanty town dwellers. Overall, votes cast for Alan García in Lima totalled 1,265,327, compared to the 488,734 obtained by Barnechea in the municipal poll. On the other hand, the left vote fell from 622,899 in 1983 to 583,233 in 1985. APRA thus claimed twenty-one deputies and IU only ten, instead of the fifteen anticipated by the left. Convergencia Democrática obtained seven seats and Acción Popular just two (Table 3).

Nationally, 107 APRA candidates were returned to the House of Deputies, giving the party a clear majority in the lower chamber (Table 2). This was determined at a departmental level. On the other hand, the composition of the Senate was calculated on a national basis. For

³² *La República*, 1 June 1985.

example, APRA attained 53 per cent of valid votes cast for the Senate, which entitled the party to thirty-two seats in the sixty-seat chamber. As with the election of deputies, a preferential vote was also included in the complex electoral system, so the thirty-two *apristas* with the highest personal poll were elected. Heading the APRA list was party veteran Luis Alberto Sánchez, who garnered a personal vote of 463,314. He was followed by the 1980 presidential candidate Armando Villanueva with 191,866 votes. For IU Javier Díez Canseco of the PUM obtained 191,950 votes, while the Communist Party leader Jorge del Prado, gained 183,022 preferences.³³

One of the main features of the April election was the collapse of Acción Popular, who received over 1.4 million votes less than in May 1980. The governing party's share of the poll for President declined from 45.5 per cent in 1980 to 6.25 per cent in 1985. This precipitous fall provided adequate testimony to popular opinion about Acción Popular's performance in office. The PPC, through its alliance *Convergencia Democrática*, proved unable to take advantage of the demise of Acción Popular and constitute itself as a viable alternative right-wing government. Its share of the poll rose only marginally, from 9.6 per cent in May 1980 to 10.24 per cent, less than half the votes cast for IU. At first glance then, the April 1985 election was a disaster for the Peruvian right.

Why was the gap between APRA and IU so large? In February and March 1985 sectors of the left felt that APRA would win by approximately 10 per cent in the first round enabling IU to put up a respectable fight in the run-off election and provide an opportunity to attack APRA for its lack of programme. Equally important, with this narrower margin between the two major political blocs, APRA would not acquire a majority in parliament, so giving the left extra political leverage. This projection did not materialise, as APRA beat the left by 1.8 million votes. Some of the reasons explaining this difference have already been mentioned and need not be repeated. One additional factor of prime importance was widespread unease among all sectors of the electorate that the election of Barrantes could bring about an Allende syndrome, e.g. a right-wing coup would ensue which might lead to civil war, or at least result in a significant upsurge in support for the guerrillas. Few people wanted a return to military government. Also, the right-wing media lost no opportunity in claiming that victory

³³ *El Comercio*, 3 July 1985.

for IU would bring even greater chaos, ushering in a situation similar to that found in neighboring Bolivia. Thus large sectors of the uncommitted electorate not surprisingly voted for a more moderate alternative that at the same time appeared to offer new hope and a solution to the crisis. Anti-communist propaganda emanating from the media helped to reinforce these sentiments.³⁴ Consequently, it was APRA rather than IU who succeeded during 1984 in presenting itself as the safest alternative government, and so managed to attract the 20 per cent of floating voters who had helped to put Belaúnde into the presidential palace in 1980. Although a large proportion of the Peruvian population are willing to elect left-wing trade union leaders and town councils, as yet they do not have an equal degree of confidence in IU when national elections occur. This has been one of the left's major problems since 1978.

Another factor that helped to widen the gap between IU and APRA was that the left's campaign was not unified because of the divisive impact of the preferential vote. Many IU candidates fought for their own election or for representatives of their own particular organisation. As a single party, APRA was able to conduct a much more centralised campaign. Whereas Alan García commenced his cycle of public meetings in May 1984, touring the country twice and speaking on 350 occasions, the left began its campaign very late and found it difficult to narrow the margin separating IU from APRA. Although it organised the largest public meetings, IU held fewer of them compared to its three rivals. Moreover, of the ninety-seven major rallies organised by IU, presidential candidate Alfonso Barrantes spoke at only forty-seven. With hindsight it can be said that the left did not campaign hard enough, especially in the Lima shanty towns. A further important error in IU strategy was a failure to make the attack against corruption a major element in its campaign. APRA gave this popular issue a high priority, and as a result gained further electoral support. One other weakness of the IU campaign was a failure clearly to distinguish its policies from those of APRA. Barrantes also fudged on the question of supporting public sector workers on strike, out of fear of being labelled extremist, and this may have lost IU votes.

³⁴ This kind of propaganda was not confined to the press, radio and television. *Campesinos* in Cajamarca told me that APRA supporters were going around the countryside stating that if IU won the election all land and women would be collectivised.

Some of APRA's key policy proposals

Having failed to produce detailed policies prior to the April election, in the weeks following the poll APRA's Comisión Nacional de Plan de Gobierno (CONAPLAN), or National Planning Commission for Government, intensified its activities. Under the directorship of second Vice-President Luis Alva, CONAPLAN has over the past three months been trying to complete its economic programme entitled *Plan Perú*. At the time of writing (August 1985), large sections of the APRA programme still await formulation, although statements on broad policy objectives have been published. In many respects the most important issue facing the new government concerns the foreign debt, which currently stands at around US\$14 billion. How this problem is tackled will determine the level of resources devoted to the administration's other policy initiatives. Shortly after his election victory, Alan García started to launch renewed attacks against the IMF, branding it as 'Washington's policeman' and 'technically incompetent'. The new government intends to have no dealings with the Fund. Instead, it will try to negotiate directly with Peru's creditors.³⁵ At these discussions, the APRA administration will endeavour to obtain concessions, and has voiced a desire for a three-year moratorium. In addition to long-term restructuring, García in his inaugural speech on 28 July 1985, stated that yearly interest payments will initially be fixed at a maximum of 10 per cent of export earnings.³⁶ There has been no talk of default. On the other hand, attempts will be made to cancel part of the debt through the export of manufactures and raw materials to creditor nations. Several successful barter deals have already been arranged with the Soviet Union and Yugoslavia during the last year.

APRA justifies this approach to the debt question on the grounds that (1) Peru cannot pay; (2) IMF medicine offers no cure to an economy suffering from recession accompanied by high inflation; (3) the social and political costs are excessive; and (4) refusing to sign an IMF stabilisation package brings no major disadvantages—whatever happens, Peru will experience difficulty in attracting foreign capital, and, come what may, some financial institutions will be willing to make loans. Obviously, the danger exists that as a result of APRA policy, the Peruvian economy will be starved of funds. In the present financial climate few international banks would be willing to increase their

³⁵ *Washington Post*, 17 April 1985; *New York Times*, 23 April 1985.

³⁶ *El Comercio*, 29 July 1985.

Peruvian exposure without a green light from the IMF. This could seriously hinder the government's aim of attracting additional foreign investment and reactivating the industrial sector. Aware of the problem, Alan García has tried to court Arab banks, but it remains doubtful that these will be willing to loan substantial sums to Peru. The government also hopes to pay off a quarter of the foreign debt through barter agreements, and again this target looks optimistic given the present world recession.

Various commentators have called García's approach to the debt problem 'the most audacious attack on the world financial system since the current debt crisis broke three years ago'.³⁷ This is something of an overstatement. The Belaúnde administration started to ignore IMF agreements and stopped honouring most of its interest repayments in July 1984. One exception to this was a US\$52 million payment made in January 1985 to avoid a 'value impaired' classification being slapped on Peru by the US banks.³⁸ By June 1985 Peru owed creditor banks approximately US\$600 million in outstanding interest, with arrears rapidly accumulating at a rate of US\$42 million per month. Peruvian exports currently stand at around US\$3.1 billion, so the 10 per cent of export earnings García has pledged to pay off debts amounts to US\$300 million a year, roughly the same level of servicing made by the Belaúnde government in 1984. To a large extent, therefore, García's radical posturing in effect means no significant departure from existing practice. APRA has a forty-year history of voicing anti-imperialist rhetoric while simultaneously conciliating with foreign and national capital. Moreover, Alan García and the first Vice-President Luis Alberto Sanchez are on the right wing of the party. Taking these factors into account there is no reason to assume that the present administration will not eventually be forced to come to terms with the IMF and the international banks on conditions far harsher than it would have wished. One other possibility is that the APRA government will end up implementing an IMF-style policy without the IMF. There are already signs that this will emerge.

With respect to the industrial sector, APRA intends to reactivate the economy in an attempt to boost internal demand, reduce idle capacity (most factories are currently running at 40 per cent capacity) and raise

³⁷ *Latin American Monitor* (2) 6 August 1985. *The Times* (London) has also stated that García's proposals represent 'the most daring challenge to existing monetary rules since the start of the Latin American debt crisis three years ago' (30 July 1985).

³⁸ *New York Times*, 24 June 1985.

employment levels. The *Plan Perú* aims to create four million new jobs over the period 1985 to the end of the century. To assist recovery, tariffs have been raised on a wide range of imported manufactures and luxury goods. Wage rises averaging a paltry 18 per cent were agreed with civil servants, teachers and some private sector workers on 1 April 1985.³⁹ While this increase compensates for only two months inflation, Finance Minister Luis Alvo Castro hopes that it will help boost consumer demand. Nevertheless, Keynesian reflation in the present Peruvian situation threatens rampant inflation. Over the twelve months commencing June 1984 Lima prices rose by 168.8 per cent and are currently approaching an annual rate of 200 per cent. The incoming government has tried to put a brake on inflation by freezing food and rent prices. As part of the government's psychological war on inflation, President García has been making regular television appearances to announce price reductions agreed with industrialists. Thus, Nicolini, the nation's largest pasta producer, has broadcast price cuts on a number of its products. Cement manufacturers and some drug companies have followed suit.⁴⁰ The government has not given the same degree of publicity to the financial handouts given to these enterprises in return for their co-operation. In effect a return to the food subsidy policy of the Velasco regime is being introduced in an *ad hoc* fashion. Parallel with these measures, the government has resorted to other mechanisms aimed at reducing inflation by lowering the cost of borrowing for industrialists. Banks were closed on 30 July to 1 August, during which time dollar bank accounts were frozen in a first move to de-dollarise the economy. On 2 August interest rates paid on deposit accounts were halved, with the ceiling on time deposits, capitalised monthly, being reduced from 125.6 per cent to 58 per cent. Simultaneously, the central bank fixed the interest rate on late loans for up to 360 days at a ceiling of 110 per cent, down from 280 per cent. For loans over 360 days the top rate is to be 120 per cent.⁴¹ These measures reversed a 30 per cent increase in effective interest rates and cuts in food and fuel subsidies decreed by the outgoing Belaúnde government.

Prior to undertaking these anti-inflationary policies, the currency was devalued by 10.7 per cent in an effort to boost exports. No further devaluations are supposed to occur for ninety days. Gasoline prices were increased by 14 per cent. It is hoped that this strategy of

³⁹ *El Comercio*, 2 August 1985.

⁴⁰ *ibid.*, 12 August 1985.

⁴¹ *Latin American Monitor*, August 1985.

announcing steep price rises followed by a freeze will break, or at least significantly dent, the inflationary spiral. Under present circumstances this gamble has a slim chance of success. Moreover, with state revenue still heavily dependent on the petrol tax, the government will be forced against its will to regularly increase this, with inflationary repercussions for the whole economy. Given the widespread lack of confidence in the national currency induced by a decade of economic crisis and devaluation, the government's attempts at de-dollarisation will encounter much resistance. Finally, a question mark hangs over the technical competence of APRA's economic policy-making team. The majority of Peru's best economists support Acción Popular, the PPC or IU.

On 3 June 1985 the Sociedad Nacional de Industrias, the Peruvian employers' federation, launched the idea of a social pact between capital and labour, which it claimed would help the country climb out of the crisis, create more jobs and improve social security provision for workers. This proposal received backing from the *aprista* labour confederation, the Confederación de Trabajadores del Perú as well as prominent APRA politicians.⁴² It seems certain that García will try to foist a Peruvian equivalent of the *Pacto de Moncloa* onto the labour movement as part of his anti-inflation strategy. The communist-dominated Confederación General de Trabajadores del Perú (CGTP), the largest union confederation, has rejected such overtures.⁴³ Currently the left-dominated unions are bracing themselves for an inevitable confrontation with APRA. The government party is set to attempt to regain the influence among organised labour that it lost to the left during the Velasco era and bring workers under corporatist control. In this battle, like the forthcoming struggle to oust the left from control of the student movement, APRA will not most likely abandon its newly adopted dove-like posturing and resort to the more traditional methods of pistol, knife and club. These tensions are unlikely to promote industrial peace, or make a social contract with labour workable. The quinquennium 1985-90 will, in any case, be a real test of the left's implantation inside the organised labour movement.

Agriculture development holds a key position in APRA's medium- and long-term strategy for combating inflation and reactivating the economy. It is also a crucial sector considering that the García

⁴² *El Comercio*, 4 June 1985 and 6 June 1985. Also see the interview with APRA trade union leader and senator Luis Negreiros published in *Caretus* (853) 3 June 1985.

⁴³ *El Comercio*, 15 June 1985.

government has pledged to pursue a basic needs policy aimed at providing cheap food for the poorer strata of the population. At present, Peru imports a large proportion of its food requirements and given the continuous mini-devaluations implemented by the Belaúnde administration, prices in terms of *soles* were constantly increasing. To break this cycle, APRA has made agriculture a priority and will endeavour to make Peru as self-sufficient in foodstuffs as possible.⁴⁴ Diverting credit to the agrarian sector, it is argued, will raise domestic food production, ultimately lead to lower food prices, reduce unemployment and underemployment, in the process bringing about an increase in consumer demand. To attain these objectives, mid-August 1985 saw import restrictions placed on dairy products, meats, grains and coffee. Farmers have also been promised improved prices by the new Minister of Agriculture, Mario Bartuén Dueñas. Protection and guaranteed prices will, it is hoped, foment significant increases in the domestic output of milk, beef and wheat. The nation is particularly deficient in wheat production and Bartuén has introduced guaranteed prices with the aim of raising output from approximately 80,000 tonnes per annum to 400,000 tonnes. National consumption approximates 700,000 tonnes.⁴⁵ The Minister also wants to encourage a change in consumption patterns, away from *pan francés*, which is mostly made from imported white flour, to *pan serrano*, which is wholemeal and produced from domestically grown softer grained wheat. Twenty per cent of the nation's annual potato crop, or about 400,000 tonnes, is to be purchased at guaranteed prices in an attempt to avoid current shortages in this commodity. Export incentives are also to be given to potato and cacao producers, as well as fruit and flower agribusiness. The ministry will also attempt to get the Nestlé Corporation to make changes in the form it markets its milk products. The APRA government intends to cut back on the production of fishmeal and increase the supply of fresh fish and canned fish for human consumption. A propaganda campaign will be launched to encourage the population to eat more fish and less red meat.

To boost agriculture the APRA administration has declared that commercial banks will be required to allocate at least 20 per cent of their loan portfolio to the rural sector. In a move designed to encourage farmers to take credit, the existing procedure of giving land as collateral is to be scrapped. Instead the crop itself will become the bank's

⁴⁴ Speech of García reported in *Hoy*, 16 July 1985.

⁴⁵ *Latin American Weekly Report* (London) 23 August 1985.

guarantee. Tariffs on the import of agricultural machinery and spare parts are to be reduced with the intention of stimulating rural mechanisation. Government policy with respect to the high cost of fertilisers and pesticides is not clear at the time of writing.

While many of these policy objectives are laudable, they are not without their contradictions and difficulties. An obvious danger exists that improved agricultural prices will fuel inflation, in the process raising wage costs, reducing profits in the industrial sector and so ultimately stifle the hoped for expansion in domestic manufacturing. The state has meagre financial resources and this scenario cannot be avoided via a policy of widespread subsidies to farmers. The promise to direct more credit towards agriculture may also worsen the liquidity problems already besetting industrial enterprises, especially if friction with the international banks over the debt question makes funds scarcer. Moreover, in the past agriculturalists have voiced more complaints about the amount of paperwork involved in securing a loan and bureaucratic incompetence at the Banco Agrario rather than the unavailability of credit *per se*. No clear statement on how these bottlenecks are to be overcome has yet been forthcoming. Lowering tariffs on imported farm machinery threatens to have a detrimental impact on domestic manufacturers of these items. Finally, the government's efforts to change established food consumption patterns in the cities will meet strong resistance. Since the 1930s several Peruvian governments have attempted this, none of them with success.

Minister Bartuén has stated that existing agricultural production cooperatives will remain, but where members want to divide enterprises they will be given permission to do so. Service cooperatives are to be encouraged. With respect to the sugar cooperatives, the pride of the Velasco agrarian reform, Bartuén would like to offset the impact of falling demand and low world sugar prices by starting fuel-alcohol production on the Brazilian model.⁴⁶ The sugar cooperative's debt of approximately US\$150 million is to be renegotiated. In return the ministry will be seeking improved work discipline, increased productivity and changes in the cooperatives' internal organisation. One 'reform' the minister is apparently seeking is the abolition of trade unions, which he has reportedly described as 'an absurdity inside a cooperative'.⁴⁷ In fact anyone with even the slightest knowledge of the turbulent history of the sugar cooperatives during the military *docenio*

⁴⁶ *ibid.*

⁴⁷ *ibid.*

and the Belaúnde administration knows that the unions are essential for defending workers' rights. The minister's keenness to abolish the unions may be due to the fact that the left have ousted *apristas* from their traditional positions of leadership in several cooperatives, and have been in the forefront of a struggle to get corrupt administrative staff, most of whom are *apristas*, removed from their posts. If the ministry does proceed with the idea of deunionisation, some bitter confrontations can be predicted in this the leading branch of Peruvian agriculture. Violent clashes are also likely to develop as APRA strives to regain its former undisputed hegemony in the sugar workers' union and submit it to government control. This atmosphere is hardly one designed to encourage greater labour effort.

Four other important areas of APRA policy relate to official corruption, treatment of the guerrilla question, arms expenditure and foreign policy. APRA made the attack on corruption a major plank in its election campaign. The García government has promised a complete overhaul and reorganisation of the *guardia civil* and the plain-clothes branch of the police force within sixty days of taking office. Individuals involved in corrupt dealings are to be dismissed and put in the hands of the courts.⁴⁸ The existing penalties for people found guilty on charges of corruption are to be doubled. Similarly, with respect to the state bureaucracy, a clean-up campaign is to be conducted. APRA has also promised to desist from placing party members in government jobs. This practice brought the Belaúnde administration much public hostility. Instead APRA has stated that all honest and efficient public employees will retain their posts, while only the highest echelons of the public administration will be staffed with party militants. Again, these good intentions are to be applauded and are measures long overdue, but their successful implementation will be extremely difficult. After decades of waiting, party appetites will be difficult to contain. Neither has APRA broken all links with the cocaine mafia.⁴⁹

Since opening armed operations in 1980 the guerrilla movement in Peru has not only survived, it has managed to grow in strength. This issue threatens to be one of the most complex and intractable the newly elected *aprista* government faces. As yet the government has not

⁴⁸ The reorganisation of the police force and an attack on official corruption may well have been facilitated by the explosion of a large capacity cocaine kitchen in Lima on 24 July 1985. Implicated in this affair is an ex-prime minister in the Belaúnde administration, Luis Percovich, and over twelve high-ranking police officers. *ibid.*, 16 August 1985. On 19 August forty-one top policemen were fired, including twenty-one of the civil guard's fifty-three generals.

⁴⁹ *Caretas* (861) 30 July 1985.

formulated a coherent medium-term strategy. Alan García appears to favour a tough line, combining a military solution with state investment in Ayacucho and other zones of heavy guerrilla activity. Development projects, it is argued, will lessen support for the insurgents. Other prominent *apristas* situated on the left of the party like Armando Villanueva and Javier Valle Riestra, would like to see some kind of amnesty offered to guerrillas who lay down their guns, e.g. a policy very similar to that being pursued by Felipe González with respect to ETA. Given that he copies so much from the Spanish Prime Minister, Alan García may well come out publicly in support of this strategy. Indeed, it is already being implemented by the Peruvian army in some zones. Few of the people fully integrated into the guerrilla ranks, as opposed to those on the periphery, are likely to be attracted by such olive branches, and the likelihood is that the rebels will continue to plague García throughout his five years in office. If this occurs, cut-backs in the military budget will be harder to achieve. On this question the new government has got off to a positive start by reducing the number of new Mirage 2000 jets Peru is set to acquire this year from twenty-six to fourteen. García is also keen to get the Latin American states to agree to regional arms control. In the international field it can be expected that the APRA government will follow the Mexican example, i.e. a progressive foreign policy will be pursued to give the regime a positive image abroad. Already the newly elected president has launched attacks against the Reagan Administration's Central America policy. García has come out strongly in favour of Nicaragua and has expressed a willingness to join the Contadora group. Peru is likely to continue its support for the Non-Aligned Movement.

Conclusion

The relatively trouble-free election campaign followed by a smooth changeover of government implies a consolidation of democracy in Peru and a break in the cycle of military intervention that has long beset Peruvian politics. This encouraging development is taking place under difficult circumstances. The recently elected APRA administration faces the daunting task of governing a society in the throes of deep social and economic crisis. It is to be hoped that García's term in office will bring some improvement in the appalling living conditions of the majority of Peruvians. However, the experience of the Mitterrand government in France and González in Spain suggests that the heightened aspirations encouraged by APRA's populist rhetoric

and nationalism will not be satisfied. If this occurs, then the government is in danger of undergoing a process of *desgaste*, or a gradual decline in support accompanied by falling morale within the ruling party, similar to that which afflicted the Belaúnde regime. With García constitutionally barred from standing for re-election in 1990, competition among APRA politicians for the presidential nomination is also likely to become intense after 1987, further destabilising the political environment. In such a situation the probability of military intervention significantly increases, unless the Peruvian right can reorganise and rejuvenate itself. A question mark consequently hangs over the solidity of Peruvian democracy, even though the prospect of a *coup* currently seems remote.

If APRA is to attain its goal of converting itself into the automatic party of government and avoid being ousted at the end of the decade either through the ballot box or at rifle point, it needs to take firm control of the state machine and embark on a corporatist project, imitating as far as possible the PRI in Mexico. Already sectors within APRA have expressed a desire to take the party along this path. In many respects APRA provides the most promising political option available to businessmen in town and country, given the inability of the Peruvian right to establish lasting and stable parties capable of attracting significant support among the lower classes. Nevertheless, other branches of civil society, such as the unions, could prove more difficult to co-opt. In addition, anti-*aprista* sentiments among individuals occupying all points of the political spectrum have not been erased by the April election. Any corporatist project would also have to overcome the opposition of a large and relatively well-organised left, or at least a section of the currents presently inside IU. For these reasons, the establishment of an authoritarian democracy centred on APRA would be problematic.

Whichever of the two most likely scenarios unfolds, by the time municipal elections are held in 1986 it is likely that the APRA governments will appear neither 'revolutionary' nor 'popular'. Beleaguered by great economic difficulties, the chances are that it will be implementing a stabilisation policy, with or without the IMF. All talk of García wresting 'the leadership of left-wing Latin Americans from Fidel Castro' will have been quietly buried as his government faces mounting social discontent and an ongoing guerrilla war.⁵⁰

⁵⁰ *The Sunday Times* (London) 28 July 1985.

Bolivia at the crossroads

The general election held in Bolivia on 14 July 1985 was a remarkable event in a number of respects. First, and most obviously, it served to fortify the tenuous consolidation of parliamentary democracy, re-established in 1982 after eighteen years of military rule in a country notorious for political instability and the belligerence of its armed forces. Of the Latin American countries ruled by dictatorship in the 1970s only Peru and Ecuador had subsequently managed to effect a hand-over from one civilian president to another, and neither of these states had experienced the sharp autocracy suffered by Bolivia in the previous decade. However—and this is perhaps a more than casual phenomenon—in all these countries it was the opposition that won the second post-dictatorial election and proved able to assume power through constitutional means; this is the first time such an event has occurred in 160 years of independent Bolivian history. Thus, the second successive constitutional transfer of power in the sub-continent's most unstable state undoubtedly assisted the general anti-militarist movement in the region as a whole, further isolating the regimes of Pinochet in Chile and Stroessner in Paraguay, long accustomed to exchanging ideological succour with military rulers in La Paz.

Unlike the cases of Peru and Ecuador, the Bolivian poll produced no new faces or political forces. Indeed, it may properly be viewed as the last major political contest of a generation that rose to prominence in the 1940s, organised the 'national revolution' of 1952 under the leadership of the Movimiento Nacionalista Revolucionario (MNR), and, after a concerted drift away from its radical origins and into self-serving autocracy, was displaced from power by the military in 1964.¹ The winner of the 1985 poll, Víctor Paz Estenssoro, has been *Jefe* (Chief) of the MNR since its establishment in 1941 and is now embarked upon his fourth term as President in nigh-on fifty years in public life. The outgoing President, Hernán Siles Zuazo, leader of the MNR de la Izquierda (MNRI), had previously been President twice and personally led the three-day insurrection of April 1952 that defeated the army, and created the government which nationalised the strategic tin mines of a three-family oligarchy (Patiño, Aramayo, Hochschild), introduced an

¹ For a detailed narrative survey of this period see James Dunkerley, *Rebellion in the Veins: Political Struggle in Bolivia, 1952-1982*, London: Verso: 1984.

agrarian reform, and granted universal suffrage. Thus, although Víctor Paz has inherited an economy in a state of collapse far worse than previously seen this century, and despite the fact that both he and his party have entered into occasional alliances with military rulers over the last fifteen years and are demonstrably more conservative than the Siles faction, few major changes of style or substance in policy are imminent.

The severe deflationary measures introduced on 29 August 1985 within three weeks of Paz's assumption of power were notable less for their devaluation of the peso (by 95 per cent), increases of basic food prices by some 500 per cent and that of gasoline by 1,000 per cent than for the freezing of all wages for a period of four months. Siles had himself frequently resorted to traditional austerity measures, but he also permitted compensatory wage rises although these generally followed strike action. Paz will be more resolute on this issue, but it remains far from clear whether he will force it to the point of a complete rupture with the unions and the need for comprehensive repression.

In the immediate aftermath of the poll, the view that Bolivian political life advances in backward-looking cycles was generally prevalent in La Paz. Such an impression was significant strengthened by the continued dominance of the trade union movement by Juan Lechín Oquendo, Vice-President to Paz in the early 1960s, leader of the powerful miners' union (FSTMB) since its foundation in 1944, and executive secretary of the Central Obrera Boliviana (COB) without interruption (even when both he and the organisation were outlawed) since the COB was established in 1952. Since the COB commands the support of virtually all national unions, both urban and rural, and was instrumental in forcing the military from power in 1982, Lechín's role of radical shadow to his old colleagues in the MNR has been critical and is likely to retain its importance despite the widely recognised failure of the parties of the left in the recent period. The public longevity of these figures can undoubtedly be ascribed to the importance of the 1952 revolution, which instituted the basic reforms that underlie the present parliamentary system and established a state-dominated economy that even the most right-wing military rulers have held back from dismantling. Nevertheless, there are many signs that the political epoch begun in 1952 is now drawing to a close despite the tendency of both voters and deputies to opt for what was widely dubbed the *mal menor* (lesser evil) in the 1985 poll and subsequent parliamentary vote for the presidency. In a time of acute economic hardship such a choice is not perhaps highly surprising, but apart from the fact that Víctor Paz is

seventy-eight and his counterparts all septuagenarians, it is clear that the 1952 system was itself in many respects responsible for the present crisis and largely unable to respond to it. As a result, it has come under a strong challenge, particularly from the right-wing *Acción Democrática Nacionalista* (ADN), led by ex-dictator General Hugo Banzer Suárez (1971–8).

The fact that in 1985 Banzer gained 29 per cent of the popular vote only seven years after completing what was one of Bolivia's harshest and most concerted periods of military rule underlines the fragility of the old MNR concordat. Indeed, it was only a hastily assembled parliamentary alliance of various factions of the old MNR as well as the grudging support of several deputies of the left-wing and Indian parties that enabled Paz, who had won 26 per cent of the popular vote, to overcome in Congress Banzer's voluble claims to office on the basis of a relative majority. Paz, therefore, gained the presidency less on his own merits than as the most viable candidate to thwart Banzer, without a working congressional majority, lacking great support in the cities (where the ADN did particularly well, most notably in La Paz), and with a very vague programme that was in key respects identical to that of his major challenger.² Assisted by what was generally perceived to be a weak and heterogeneous cabinet, assembled to retain an optimal intra-party coalition, it was expected that he would restrict himself to maintaining the status quo and confront the economic crisis in a much less comprehensive fashion than essayed by García in Peru and Alfonsín in Argentina.³ It is a telling reflection on the state of the new administration and Bolivian political life as a whole that once the predictable flurry of coup rumours had passed, attention turned to the

² Both the ADN and the MNR pledged to introduce a 'single, realistic' exchange rate, which would require a devaluation of at least 100 per cent, renegotiate the external debt with the private banks and the IMF, attack the cocaine trade, reduce trade union power, and revive agro-industry. Both parties laid stress on social order although Banzer did so in a markedly more muscular fashion, suggesting the use of coercion against opponents.

³ Paz's cabinet includes a number of notable collaborators with right-wing military regimes (Luis Fernando Valle, Guillermo Bedregal and Guillermo Riveros) as well as respected opponents of recent dictatorships, such as German Reynaldo Peters and Sinforsó Cabrera, previously a leading militant of the miners' union, Trotskyist sympathiser and the only member of the government who could be plausibly presented as belonging to the left. The new President's efforts to appoint a member of the 1981 military junta, Admiral Oscar Pammo, as head of his military household were impeded by a high command that is perhaps the first in forty years to manifest political views more progressive than those of the civilian leadership. As a reward for its defence of the democratic process, Paz has reconfirmed the military leadership, headed by General Simón Sejas, until the end of 1985. Support for Banzer from the ranks of colonel and general was notably lacking since Siles had promoted those officers who had a record of opposing him and arguing for a return to parliamentary democracy.

prospects of the strong ADN opposition effectively 'besieging' Paz in order to make an uncontrollable thrust for power at or before the next poll. It should not be forgotten that manipulation of parliament has been used before both to prompt coup attempts and to paralyse the executive power. Both the MNR and the ADN used Congress to deny Siles power in 1979, an act which resulted in three military insurrections in less than a year. Moreover, over the last three years, when these parties also enjoyed a combined parliamentary majority, Congress passed not one single piece of legislation and occupied itself primarily with impeaching Siles's ministers. Thus, the existence and formal functioning of parliament is in itself only a partial advance and must be considered within the context of a genuine proclivity to abide by the unwritten rules of constitutionalism. The evidence that this exists after the 1985 poll is still open to considerable doubt.

Naturally, observations such as this, however prevalent they might be, should be treated with a modicum of caution and respect for the rapidly shifting circumstances in political life. Moreover, in Bolivia executive power has generally prevailed over that of parliament, at least in the short term, and Paz is an experienced statesman keenly able to exploit the advantages of office. Equally, the strong ADN vote was manifestly one of censure both of the inept and inactive Siles regime and of the left, which both in and out of government had offered few solutions to the economic crisis, had organised a series of prolonged general strikes that contributed to a rising sense of public disorder, had gained only limited economic advances for the working class and peasantry, and had offered no new political initiatives. It is undoubtedly the case that many who participated in these strikes and consider themselves faithful militants of the COB voted for Banzer. Whether they might do so again depends on the ADN's distinctly precarious attachment to parliamentary democracy and its ability to sustain a heavily dollar-funded campaign redolent with evocations of the heady days of economic expansion and 'public order' in the 1970s, when Banzer exploited the oil price rise to contract the debt that subsequently undermined Siles's Unidad Democrática y Popular (UDP) alliance. It is the view of the left that Paz cannot possibly provide a solution to the structural crisis that the Bolivian economy is suffering. However doctrinaire this may sound, it is probably a correct interpretation. Nonetheless, if the new government simply manages to hold the fort and preside over a situation that does not significantly worsen it is likely that Banzer will lose a large proportion of his fair-weather constituency.

throwing him back on to the support of a diehard nucleus of anti-communist activists for whom, as was palpably evident before and during the election campaign, parliamentarianism is one method amongst several for obtaining power. The Banzer campaign was one fought on television, through motorcades of private vehicles, the services of paid unemployed youth to plaster towns with multicolour posters and carefully orchestrated public events at which mass participation was markedly absent. His votes came from people who throughout all this stayed at home, normal urban folk who abstained from militancy but were evidently determined to vote against the inactivity and incompetence of the last three years.

The failure of the left to provide an answer to the economic crisis certainly diminished the support it has historically enjoyed as a result of a strong popular sentiment of anti-militarism in Bolivia. It was this factor that lay behind the victory of Siles and the UDP (combining the forces of the MNRI, the pro-Moscow Partido Comunista de Bolivia, and the Movimiento de la Izquierda Revolucionaria) in the elections of 1978, 1979 and 1980. In each instance it was denied office—by fraud, congressional veto, and a military coup—with the result that between 1978 and 1982 the country had ten presidents and suffered five coups. The front thereby built up a considerable wave of popular support that reached a peak following the July 1980 coup of General García Meza, who attempted a *pinochetazo* with the aid of the Argentine military and generous funds from the cocaine trade. García Meza's reliance upon widespread repression, his failure to gain support from Washington because of strong links with the drug trade, the progressive division of a demoralised and badly tarnished military, and the rising economic crisis exacerbated by the diplomatic boycott and carefree spending, produced a situation whereby the accumulating mobilisation of the COB combined with the virtual US blockade to oblige the right into acquiescing in the UDP's assumption of office, finally realised in October 1982. In many respects García Meza and his short-lived successors in the junta are responsible for the re-emergence of Bolivian constitutionalism, and however calamitous the experience of the UDP administration, throughout its truncated mandate it maintained a notable respect for civil liberties that qualified and occasionally halted accumulating popular discontent. This aspect of its rule is likely to acquire greater attention as the economic crisis continues and the extraordinary difficulties of containing, let alone placating, a highly politicised and traditionally militant labour

movement return after the natural 'pause' in public life brought about by the elections. Those with a sharp political memory recall that although Siles was president in 1956 when the US government and the IMF made the reconstruction of the army (whose defeat he had led) a central condition for critical balance-of-payments assistance, it was Paz who had carefully accelerated this process, chose a military officer as his running mate in 1964, and backed Banzer's bloody coup in 1971.

However, in 1985 such a memory was subordinated by the reality of a state of affairs so severe that the term *bolivianización* has entered the argot of contemporary Latin America as representing a condition of absolute economic decomposition, a kind of nightmare example of what the debt crisis can lead to. Thus, although the country has not suffered anything approaching the levels of violence and social breakdown evident in Peru, it stands alone in terms of the financial indices of the present crisis. In August 1985 inflation was officially declared to exceed 14,000 per cent per annum whilst the far from politically disinterested private enterprise federation declared it to be at least 50,000 per cent. This is undoubtedly an exaggeration but at such levels it is of relatively marginal importance—the country is patently suffering a profound process of hyperinflation with prices changing daily and, on occasions, hourly.⁴ In a futile effort to stem this the peso was devalued by 250,000 per cent between 1980 and 1984, yet at the end of Siles's administration the official exchange rate of 175,000 pesos to the US dollar compared with an informal rate of 1.1 million at which almost every internal transaction was conducted. As a result, both high- and low-level speculation soared and severely distorted the economy. With massive dollar savings available on official tariffs luxury imports rose alarmingly and contraband became generalised. Assisted by the size of another 'informal' sector—cocaine trading—this process effectively 'dollarised' the economy, further undervalued the peso, encouraged a secular inflation of expectations, and cut a swathe through the living standards of those workers and peasants whose peso earnings lagged far behind price rises (which by mid-1985 were clearly outstripping the rise in the price of the dollar).

The fact that such a crisis is indeed structural and not some short-term

⁴ Instituto Nacional de Estadística, 16 August 1985. All the figures cited below are derived from statistics issued both by this office and the Banco Central de Bolivia. Some are necessarily estimates and err on the side of conservatism but they remain generally more accurate than the figures issued by international organisations. I am grateful to Rolando Morales, former Sub-Secretary of Finance and currently President of the College of Economists, for his assistance with this section.

speculative seizure is reflected in a fall of national production by 16 per cent and of disposable income by 25 per cent between 1980 and 1984, an extraordinary reduction of nearly 60 per cent in imports (the third largest import now being bank notes), and 75 per cent in investment over the same period. Bolivia has consolidated its position as the poorest country in the western hemisphere with the exception of Haiti, with an infant mortality rate of at least 168 per thousand live births, half its children clinically malnourished (and 61 per cent suffering from goitre), real unemployment of between 40 and 50 per cent, and 60 per cent of a still predominantly rural population living well beneath the poverty line (infant mortality in the countryside is reliably assessed to be 210 per thousand live births).⁵ According to informal USAID estimates some 8 per cent of the population emigrated between 1982 and 1985, principally to neighbouring states. These new 'economic refugees' join approximately one million Bolivians—over one-sixth of the total population—working abroad. It can, therefore, be said without exaggeration that the great mass of Bolivians live in conditions more proximate to those in the Sahel than to those in Argentina; hunger and its related diseases are easily the single most important cause of death.

Illustrative statistics could be multiplied endlessly (and include examples of those sectors, national and foreign, who have done exceptionally well out of the crisis), but what manifestly lies behind the recent crisis is a combination of a failure to pay a towering external debt and a sharp decline in export earnings from the mining industry, particularly tin, traditionally the country's strategic commodity in an uninterrupted attachment to the policies of 'export-led growth'. The richness of local tin ore has been declining since the third decade of the century and is now at a critically low level, but this has been less important than the excess world supply and subsequent fall in prices, impeding capital investment that would enable concentration of poorer

⁵ For details of the economic crisis and its impact on the health of Bolivians see Rolando Morales, *Desarrollo y Pobreza en Bolivia*, La Paz: UNICEF, 1984; *La Crisis Económica en Bolivia y su Impacto en las Condiciones de Vida de los Niños*, La Paz: UNICEF, 1985; José Luis Roca, *Derrotemos al Hambre*, La Paz: UNICEF, 1985. Despite this depressing state of affairs, mention should be made of the remarkably successful popular health campaigns organised by Siles's Minister of Health, Javier Torres Goitia, which resulted in nation-wide educational programmes and vaccinations. Significantly, in the election all political parties praised this feature of the UDP government. Bolivia also possesses a small but distinguished community of young and pioneering paediatricians based at La Paz's Hospital del Niño who have made important progress against malnutrition through innovative oral rehydration programmes. Much to the consternation of the US embassy, under Siles the Cuban Ministry of Health lent strong support to this team.

ores as well as depriving the exchequer of critical foreign exchange. At the end of 1983 the world surplus of tin stood at 70,000 tons whilst over the previous three years Bolivian production fell from 22,000 to 14,000 tons. Earnings from all mineral exports over the same period dropped from \$646 million to \$348 million.⁶ Although Bolivia is an oil-producing nation and evaded the full impact of the recession of the mid-1970s largely as a result of this, petroleum exports ceased in 1977 and lack of capital for exploration has raised the threat for the first time in several decades of the need to import gasoline. This will further prejudice a balance of payments which, despite huge cuts in imports, was thrown completely out of kilter by the fall of mineral prices at the beginning of the 1980s, reducing total export earnings from \$1.1 billion in 1980 to \$788 million in 1984.

The one important caveat to such a picture is the existence of the cocaine trade, which enjoyed buoyant prices between the mid-1970s and 1984. It is estimated that the export earnings of this illegal industry have averaged \$1 billion a year over the recent period even though Bolivian traders are generally excluded from the final, and most lucrative, phases of commercialisation in the US and Europe. Because the primary constituent of this commodity is the legally cultivated coca leaf, chewed for centuries in the Andes, the 'trickle-down' effect of the current cocaine boom has been appreciable and benefited not just the inhabitants of the Cochabamba valley system (its principal centre) but also thousands of migrant labourers from the rest of the country who can earn up to ten times the average wage by treading or transporting the leaf. Reliable estimates put the number of people who have direct or indirect contact with the cocaine trade at 10 per cent of the economically active population.

However, the fact remains that this is a highly precarious and dangerous occupation in an illegal industry still firmly dominated by a mafia that is subject to no legal obligations, has never shown itself disposed to redistribute the fabulous profits it makes, and pays absolutely no dues to the state other than the residually necessary bribes to local officials. Hence, the Bolivian state finds itself unable to tax the most successful national export at a time of unparalleled fiscal crisis.

⁶ Between 1980 and 1983 the prices of Bolivia's principal mineral exports fell as follows: tin, from \$7.6 per lb to \$6.0; copper, from \$0.97 per lb to \$0.75; silver, from \$21.05 per ounce to \$11.40; zinc, from \$0.40 per lb to \$0.33; wolfram, from \$141.62 per metric ton to \$80.66; antimony, from \$3,925 per metric ton to \$2,044. Yvon LeBot, 'L'Experience de cogestion a majorité ouvrière (1983-84): entre l'utopie ouvrière et le déclin minier', *Problèmes d'Amérique Latine* (73) 1984

and to date it has signally failed to capture any of the leading traders although insistent US pressure, notably through threats to cut aid, has led to a number of army raids in which humble peasant workers are frequently apprehended or shot. While Washington continues to urge destruction of the *cocales* without presenting anything approaching an adequate alternative for the thousands who make their living from them, the trade continues unabated with a minor proportion of its dollar earnings returning to the country to further destabilise the embattled peso. Rather than constituting a potential solution to the crisis, *narcotráfico* has become the source of great fortunes for a few already rich farmers and the means for survival for impoverished peasants and workers. It is but the largest sector of a burgeoning informal economy as the rest of Bolivia's legal productive structure grinds to a halt.⁷

It is often alleged that the initial capital outlay for the current cocaine boom came from generous grants made by Banzer through the Banco Agrícola to local farmers in the department of Santa Cruz; to date some \$66 million of this debt remains outstanding and unaccounted for. Under Banzer Bolivia's external debt rose from \$551 million to \$3 billion, with a rising proportion being disbursed by the private banks lured by the high export earnings that resulted not from increased production but the short-term price rises of the mid-1970s. Today this debt stands at \$4.8 billion, which is unimpressive when compared to those of Mexico, Brazil and Argentina but equally if not more severe when one takes into account the size of the country's population, the rapid diminution of an already slight and vulnerable productive base, the collapse of export earnings, and the clear impossibility of further reducing imports of capital goods.⁸ Moreover, Bolivia has been faced with abnormally harsh terms of repayment, even by Latin American standards.⁹ As a result, the Siles government sought a particularly comprehensive and radical attitude to the debt question in the meetings at Quito and Cartagena, arguing simply on the basis of Bolivia's inability to pay at the required levels rather than along the lines of a

⁷ For a more extensive discussion of the cocaine problem and reference to the limited bibliography see Dunkerley, *Rebellion in the Veins*, *op. cit.*, pp 308-25.

⁸ For detailed discussion of the Bolivian debt see *Dinámica Económica* (9) 1985, Various, *La Deuda*, La Paz: FLACSO, 1985; Various, *Perspectivas de la Política Económica en la Bolivia Post-Dictatorial*, La Paz: FLACSO, 1985; Fernando Baptista Gumucio, *Estrategia Nacional para la Deuda Externa*, La Paz: 1984.

⁹ In 1981 and 1982 the private banks demanded repayment at interest rates 2.19 per cent above LIBOR, which compared with a Latin American average of 0.98 per cent (the second highest rate being for Brazil at 1.62 per cent), over a period of five years and four months, whereas the regional average was eight years, Baptista, *Estrategia*, *op. cit.*, p 156

political repudiation of the international financial system. It was, in fact, the response of the COB rather than the government that determined the decision, taken in April 1984, to pay the private banks according to the availability of funds pending a new agreement, for which the regime suggested a total repayment at 25 per cent of export earnings.¹⁰ At the time this appeared to be a radical policy and was even seen in some alarmist sectors as presaging a regional moratorium; the banks pointedly refused to bargain, closed down their local offices, and cut off further funds. The subsequent attitude taken by the Peruvian government and statements issued by Presidents Sarney of Brazil and Sanguinetti of Uruguay make the step seem, in retrospect, far less audacious. Yet Bolivia was at the time alone and in a particularly vulnerable position. It is clear that the absence of further loans has done much to aggravate the crisis, but repayment at the levels required by the banks would most probably have done great damage and assuredly brought even local state operations to a halt.

In practice the Siles administration desisted from radical economic policies despite the presence in the regime of the PCB and the MIR. In the first weeks of its rule it took two measures which may be described as being independent of the IMF: the 'de-dollarisation' of the formal economy (prohibition of bank accounts in any currency other than the peso) in order to halt capital flight and to make the private export sector subject to inflation in the same way as wage-earners and local traders, and the granting of wage rises approximately equal to the level of inflation. However, at the same time it devalued the peso, cut state subsidies, and sought a traditional renegotiation with the banks—all in line with IMF precepts and directly prejudicial to the operation of the other measures. After introducing this first self-defeating confection, government policy was restricted to issuing further devaluations, reductions in state expenditure, and ordaining wage increases progressively lower than price rises.¹¹ International fears at the

¹⁰ The state continued to repay its debt to multilateral agencies (IMF, World Bank, Inter-American Development Bank etc) and sovereign lenders, albeit erratically and at a rate of around 17 per cent of export earnings. Payment to Argentina, a large lender during the recent dictatorship, has been complicated by that country's failure to reach an agreement on prices for imports of Bolivian natural gas, for which a barter agreement was made in principal. Nevertheless, relations with Argentina remain warm and President Alfonso attended Víctor Paz's inauguration (along with Presidents Betancur of Colombia and Sanguinetti of Uruguay) whilst Alan García was notably absent, causing a degree of comment in what is traditionally viewed as Peru's sister nation, only an hour and a half by air from Lima.

¹¹ In June 1985 the Siles government declared a minimum wage of 10.6 million pesos, equivalent to \$10.5, per month. A middle-level civil servant received at that time 25 million pesos and a specialist doctor in the state sector 60 million. A loaf of bread cost 80,000 pesos, a bottle of beer 250,000, a telephone call 5,000, an urban bus-ride 45,000, and a pair of shoes 10 million.

presence of communists in the cabinet waned as they were seen to possess no alternative strategy to that of the IMF and, in fact, to represent its most efficient managers even though throughout this period no global renegotiation of the debt took place.¹²

The COB's response to this situation was initially limited to verbal criticism—in part because the PCB retained a strong influence in the union movement—but by mid-1983 the pressure of its rank and file for action was too great to resist. In 1984 and 1985 Bolivia suffered six prolonged general strikes and a series of road blockades by a newly militant peasantry in protest at deflationary policies and a progressive loss of real wages. The cost of the debt contracted by Banzer and his military heirs first paralysed and then effectively destroyed the Siles government, which persistently refused to repress a popular movement that had hoisted it to power. In April 1984 Siles declared his unilateral solution to the debt, but when, in November of that year, a further three-week general strike brought the country to a halt it was clear that no further political space was available to the regime within which to manoeuvre. In what has become justly renowned as the *golpe eclesiástico*, the Church intervened and proposed the holding of new elections in July 1985, a year earlier than permitted by the Constitution. Without exception, the forces of the right supported this initiative, and Siles, whose reputation was now limited to the avoidance of conflict at all cost, acquiesced in an openly unconstitutional manoeuvre. Hardly was the ink dry on the agreement before both Banzer and Paz were staging expensive campaigns.

The record of the left inside the UDP government left much to be desired and subsequently led to a phase of sharp self-criticism, the removal of the PCB and the MIR from leadership positions with the COB, and the division of both parties early in 1985, by which time they had left government.¹³ Steeped for so long in a predominantly

¹² It is worthy of note that of the several UDP economics ministers, Ernesto Aranibar (MIR) and Horst Grebe (PCB) were the most malleable in their dealings with international financial organisations, and Grebe publicly lobbied on behalf of politically 'independent' ministers disposed to come to terms with the IMF. Both ministers were severely censured by the rank and file of their parties and eventually forced to resign although they were not replaced by hardliners.

¹³ The faction of the MIR led by Jaime Paz Zamora, who for much of the UDP government held office as Vice-President whilst his party was in opposition, follows a broadly social democratic line and aspires to renovating the MNR's old populism through a strictly electoralist strategy. The MIR-Bolivia Libre, headed by Antonio Aranibar, entered into an electoral alliance with the PCB as the Frente Popular Unido (FPU) and fought a more radical campaign based on explicit self-criticism of the UDP experience. The MIR-Masas, led by Walter Delgadillo, boycotted the elections and has taken a leadership role inside the COB. In July 1985 the PCB split and a strong opposition group, led by Ramiro Barrenechea and Carlos Soria, won the support of the entire

denunciatory discourse centred on democratic liberties, anti-militarism and anti-imperialism, this sector had patently failed to elaborate viable economic policies to be implemented on the rare occasions it had access to power. (Here one should perhaps note that up to García's victory in Peru the UDP administration was the only one of the post-dictatorial Latin American regimes to incorporate the traditional forces of the left). However, the non-government forces of the left that dominated the COB demonstrated equally limited political resources and concentrated simply upon opposing the government, the only real exception being the establishment of workers' control in the state mining corporation, COMIBOL. Thus, when in March 1985, the COB staged another, fortnight-long general strike and once again brought the country to a halt under an already lame-duck regime, the response of the population was to support the stoppage but also to demand a finite political alternative, for which abstract slogans for an unprepared 'assault on state power' were an insufficient answer. As a result, the expected solution in new elections took on added weight and the campaign of the right-wing was further fortified with attacks on 'anarcho-syndicalist subversion'. Divided, exhausted and corralled in policies of oppositionism against a government that was broadly viewed as being itself of the left, the left was destined for a humiliating electoral defeat.

This defeat has received much comment both in Bolivia and abroad, and was most obviously encouraged by Banzer's remarkably good showing at the polls. It must, however, be qualified. First, the poll was manifestly irregular and at times openly fraudulent. Every participating party, bar ex-Vice President Jaime Paz Zamora's faction of the MIR, claimed fraud, and the government itself detailed the irregularities committed by the electoral court (over which it had no executive control) well before polling day, which it then tried to postpone without success. While many of the accusations were obviously self-serving and almost ritualistic, it is clear that between 30 and 40 per cent of the rural population eligible (and indeed formally obliged) to vote was not

youth movement and significant local sections of the party in its critique of the pro-UDP leadership, which had failed to publish the critical resolutions of the party's Fifth Congress held earlier in the year. Following an extraordinary conference early in August 1985, both groups claimed to represent the authentic PCB, have expelled each other and issue alternative versions of the party weekly paper *Unidad*. For details of the labour movement over the recent period, see *Tendencias Sindicales después del VI Congreso de la COB*, La Paz: Cinco, 1985; Central Obrera Boliviana, *Documentos y Resoluciones de VI Congreso Nacional*, La Paz: Cepromin, 1985.

registered. Inefficiency accounts for a sizeable proportion of this, but the ADN's strong presence in electoral tribunals was also an important factor. Since rural communities traditionally debate and decide a collective vote before the poll and the great bulk of the peasantry was opposed to Banzer and in general disposed to vote for Paz as the 'lesser evil', such low registration can legitimately be interpreted as favouring the ADN, which was also proved to have engaged in other fraudulent practices in both town and countryside.¹⁴ The MNR, in its turn, made recourse to the full panoply of methods available to its practised electoral machine, but it benefited most directly from the logic of a broad anti-Banzer vote and even picked up the tacit support of left-wing COB leaders such as Juan Lechin and Filemón Escobar, who may be expected to resume the fierce opposition with which they confronted the UDP. The absence of any united left slate resembling that of the UDP and the imminent collapse of the governing MNRI, which would normally be expected to pick up many votes simply through patronage, further contributed to the success of the right. Nonetheless, a healthy 10 per cent of the vote went to the MIR, whilst the young and radical Partido Socialista-Uno, founded by Marcelo Quiroga Santa Cruz, Bolivia's most distinguished left-wing statesman, assassinated by García Meza in 1980, picked up seats against the run of voting, as did the Movimiento Revolucionario Tupaj Katari de Liberación (MRTKL), headed by peasant union leader Genaro Flores.¹⁵ None of these forces

¹⁴ The day before the poll I personally saw the electoral cards of a number of 'moles' placed in the ADN by the national peasant union, CSUTCB, signed by electoral judges (who were party militants) as having voted. These documents were presented to the Human Rights Assembly, which is due to publish a full report of its findings. Technically, registration is possible with the presentation of any one of six civil documents, easily facilitating multiple registration and voting at a number of different polling stations in an election conducted without the services of a computer. Against ADN accusations that 394 ballot boxes were 'disappeared' in the department of La Paz—a charge that was later disproved by the electoral court—the MNR produced evidence that in the same department there had been widespread voting by minors, some of whom were as young as eight years and had supposedly served as electoral judges. While the electoral court affirmed that this was the case, it caused widespread popular consternation by ruling that ballot boxes which contained less than a third of votes cast by minors should be counted as valid. For a detailed and vivid description of ADN malpractices in the departments of Pando and Cochabamba, see *Aquí* (La Paz) 20 July 1985.

¹⁵ The final allocation of parliamentary seats was as follows: MNR 59; ADN 51; MIR (Paz Zamora) 16; MNRI 8; MNR-*Vanguardia* 8; PS-15; FPU 4; PDC 3; MRTKL 2; *Falange Socialista Boliviana* 3. The collapse of the Christian Democratic Party (PDC) was notable, this currently very nearly being outvoted by the Trotskyists in the department of La Paz. There is not space here to discuss the important development of Indian political consciousness, particularly amongst the Aymaras of the highland region. There can be little doubt that while this has prompted the rise of a vibrant peasant 'trade unionism', recent developments have impeded a wider political representation of this current, most notably through the MRTKL, which was the principal victim of tactical voting for the MNR. The movement generally dubbed as '*katurismo*',

enjoyed anything remotely resembling the funds available to the MNR and ADN, which staged a modern US-style campaign that was partly funded by the Republican party and very much in the mould of Roberto D'Aubuisson's electoral challenge in El Salvador. Banzer's quasi-fascist trilogy of 'Paz, Orden, Trabajo' was at times prejudiced by the thuggery of his vice-presidential candidate Eudoro Galindo and the *pistoleros* around him, but its projection was sufficiently deft and carnivalesque not to dwell for long on the consequences of traditional IMF medicine, dismantling of the state corporations that control 60 per cent of the economy and provide extensive employment, or the natural means for acquiring 'order'.

Split between the call for a boycott, a number of small socialist parties, and tactical voting for Paz, the left, which was anyway distanced from parliamentary politics, may well have come through the elections in rather better shape than some pundits suggest. Bolivians' attachments to social and political liberties should not be underestimated and neither should their fierce support for the COB and the recently formed peasant unions be ignored in the face of the defeat of a specific current of confused reformism. The failure to provide an alternative to IMF policies and dullard deflation at whatever social cost will henceforth be judged less in its own terms than against the record of the new government, which is likely to adhere more strictly to these policies than its predecessor even if it desists from the hard line proposed by Banzer. We have already suggested that such a course might halt a further shift to the right, but it is equally possible that it might comprehensively discredit the ideas and apparatus of conservatism, be it veiled or bare-faced. Whatever the case, the coming period will surely be complex and daunting for a long-suffering nation.

after a leader of the great 1781 rebellion against the Spanish, is very distinct from *Sendero Luminoso* in Peru but no less antipathetic to the instructions of the 'white' Marxist left in the countryside, where it is likely to retain important influence even if this is not mirrored in the normal fashion of urban political forces. For a summary background to the growth of this movement, see Silvia Rivera Cusicanqui, *Oprimidos pero no Vencidos. Lucha del Campesinado Aymara y Qhwecha, 1900-1980*, La Paz: Hishol, 1985; Various, *La Fuerza Histórica del Campesinado*, La Paz: CERES, 1984; Josep Barnadas and Xavier Albó, *La Caza Campesina de Nuestro País*, La Paz: 1984.

Emigration and expulsion in the Third World

Throughout most of modern history, people generally moved from more developed to less developed lands. But for the last century, net migration has flowed in the reverse direction, toward the more industrialised areas of the globe. Discussion of emigration policies must focus increasingly, therefore, on Asia, Africa, and to some extent Latin America.

The right of individuals to leave their country, and conversely their right not to be forced to leave, are generally recognised today in international law and in such documents as the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. This does not mean, of course, that nations committed to these rights in theory always respect them in practice. In the contemporary Third World, at least two patterns of assault on the right to leave or to remain are apparent.

One pattern is political and ethnic pressures, associated with the pains and tribulations of nation-building in new societies, that tend to produce refugees (in addition to those refugees driven by economic desperation, natural calamities, and other causes). The second pattern is an effort to block the loss of highly skilled emigrants to the developed countries, in combating what has been termed the 'reverse transfer of technology' or more commonly the 'brain drain'. In contrast to the first pattern, this issue is largely economic and developmental, and invites a reverse policy: forbidding, not forcing, departure.

These two impulses sometimes act simultaneously, as new nations are caught between the desire to be rid of those who don't fit in and the desire to make those with needed skills fit in. This explains much of the apparent inconsistency and vacillation of governments on both issues. The same states appear both as refugee-producers and as plaintiffs in the brain drain debate; it is not unknown for a state to lament the loss of

This article is based on research carried out in the framework of the project on contemporary emigration policies at The Twentieth Century Fund. The full study, tentatively entitled *The New Serfdom: Contemporary Control of Emigration and Expulsion*, is scheduled for publication under the Fund's auspices in late 1986.

badly needed professionals while deliberately creating the conditions that made them flee.

These patterns are reminiscent of the age of mercantilism and nation-building in Europe, especially in the desire to forge a new national identity. In both cases this led to tighter control of international movement, including both expulsion and denial of exit. In earlier times this was pursued in the name of religious conformity, while now it more often expresses a drive for ethnic or political homogeneity.

Nation-building and refugees

Let us focus first on the expulsion pattern, on the connection between nation-building and the drive for homogeneity. Surprisingly little analytical work has been done on the causes of contemporary refugee flows, despite their high incidence; they are often simply attributed to the fact of 'persecution'.¹ Some scholars, in particular Aristide Zolberg and Astri Suhrke, have begun to look more closely at these causes, using broad historical comparison to explain why some sources of turbulence produce refugees and others do not. Zolberg concludes that 'integration crises, which arise as a by-product of the secular transformation of a world of empires and of disparate small-scale communities into a world of states, have been the most important triggering mechanism of refugee flows throughout modern history.'² In his report to the UN Commission on Human Rights regarding the causes of massive exoduses, Prince Sadruddin Aga Khan also called attention to the 'integrative revolution' facing states with no tradition of statehood, and stressed the tendency to turn to authoritarian models in order to create cohesion.³

When ruling elites embark on an effort to strengthen national unity, they tend to turn on groups whose language, ethnicity, religion, culture,

¹ G J L Coles, 'The problem of mass expulsion', *Background Paper for Working Group of Experts on the Problem of Mass Expulsion*, convened by the International Institute of Humanitarian Law, San Remo, Italy, 16-18 April 1983, p 9, is one of many to comment on the astonishing lack of general studies on the causes of refugee flows, as opposed to the substantial literature on legal and humanitarian responses and descriptive case studies.

² Aristide R Zolberg, 'State-formation and its victims: refugee movements in early modern Europe', in N J Berting, W Blockmans and U Rosenthal (eds), *Beyond Progress and Development: Proceedings of the Symposium on Macro Political and Societal Change*, Rotterdam: Faculty of Social Sciences, Erasmus University, 1983; see also Louise W Holborn, *Refugees: A Problem of Our Time. The Work of the U.N. High Commissioner for Refugees, 1951-1972*, Metuchen, New Jersey: Scarecrow Press, 1975, p 829, on Africa.

³ Sadruddin Aga Khan, *Study on Human Rights and Massive Exoduses*, New York: United Nations Economic and Social Council, Commission on Human Rights, E/CN.4/1503, 31 December 1981, p 37.

political beliefs, or socioeconomic status do not fit in. In early modern Europe this meant the expulsion of Jews and Muslims from Spain, the forced assimilation of French Huguenots, and imposed transfers of populations among European states in order to match the faith of subjects with rulers. This is not a matter of simple narrow-mindedness (though prejudice underlies it), but a drive for conformity that characterises certain phases of national consolidation. Marxists agree in attributing refugee flows to broad historical forces, which, in the contemporary Third World, they identify as injustice, exploitation, and economic weakness. They admit, however, that the 'progressive restructuring' of a society may also produce refugees.⁴

Whatever the particular homogeneity being pursued, it displaces those outside it. The process is not basically different today; what has changed is the scale of the dislocation. If the consolidating monarchies of Europe produced refugees in thousands or tens of thousands, flows now are measured in millions. Some of this is due to larger populations, the greater efficiency of modern warfare in uprooting civilians, and the 'pull' effect of refugee assistance programmes that did not exist in the past. But some of it is due to basic social and political conditions.

Early modern Europe, despite its divisions, had reasonably homogeneous core states. Most inhabitants of England or France shared a sense of being 'English' or 'French' in some meaningful way; there was a dominant cultural and linguistic model that gave the idea of an English or French state some reality, whatever deviant groups it might contain. But in many areas to which the idea of the nation-state was transposed, there was no sense of nation upon which the state could be built. The reality was a dizzying diversity. Africa as a whole, for example, has an estimated 800 ethnic groups and 1,000 distinct languages, and a typical African state might contain dozens of such groups.

In some cases, colonial policies accentuated these differences by playing groups off against each other in classic divide-and-rule style, and by introducing new groups through population transfers, such as Asians in East Africa. Colonialism also broadened existing splits and inequalities within societies, leaving a sharp division between Westernised and traditional elements. The borders drawn by colonial powers compounded the problem by paying little or no attention to demography or ethnography.

⁴ This was the phrase used by a Bulgarian representative on one of the UN bodies dealing with refugees (personal interview, 2 May 1984).

Finally, while the new nations may have inherited democratic ideals from the colonial powers, in practice they inherited essentially authoritarian government machinery. Many of the stronger measures used to forge national unity were, in fact, simply a continuation of methods used by colonial authorities, including expulsions. Ghana, for example, adopted in 1957 a Deportation Act based on British practice. When Uganda forced the Kabaka of Buganda from his throne in 1966, it was simply replaying his deportation by the British in 1953.⁵

At the same time, increased awareness of the huge inequality between 'North' and 'South' created greater pressures within the latter, fuelling expectations of progress that were doomed to be disappointed. In the rush to modernisation, diversity seems to impair economic efficiency: social conflicts and linguistic confusion complicate administration, block effective planning, limit the mobility of labour, and otherwise interfere with the realisation of the regime's cherished goals. As a leading African jurist said: 'Most progressive Africans would have no hesitation in subordinating the concept of free association to that of national unity.'⁶

In this charged atmosphere, some regimes are tempted to force population movements not only for internal reasons, but also as a weapon in their external relations. Many in Washington feel that Haiti uses the threat of illegal Haitian entrants to prompt more US aid. In 1971, India saw the flow of refugees from East Pakistan (now Bangladesh) as an effort by the Pakistani army to deter Indian intervention, and Thailand and Malaysia tend to see the flood of refugees from Vietnam as an attempt to destabilise their countries.⁷

In general, multinational or multireligious states have not been a conspicuous success in the post-World War II period, whether governed by democratic or authoritarian regimes. The conspicuous failures of Cyprus, Pakistan, Ethiopia, Nigeria, and Lebanon come to mind, as well as the continuing troubles in India, Sri Lanka, Iran, Iraq, Sudan, and a number of other African states. Nor are Western states free of such conflicts, as the cases of Ireland, Belgium, and Canada show. The dilemma is that attempts to mould a single national identity come precisely when the strength of separate identities is on the rise. No

⁵ S K B Asante, 'Nation building and human rights in emergent African nations', *Cornell International Law Journal* (1-2) 1968, p 88.

⁶ *ibid.*, p 94.

⁷ Myron Weiner, 'International emigration and the Third World', paper delivered at the Harvard-Draeger Conference on Population Studies between Rich and Poor Countries, 6-1 October 1983, p 9.

multinational state seems to have resolved this tension completely, and the temptation to resort to coercion is powerful. As often as not, coercion means promoting assimilation by forcing and/or by blocking emigration.

Certain groups are particularly vulnerable to the homogenising pressures of militant regimes, and have produced most of the Third World refugees in recent years.

First are ethnic or religious minorities that have traditionally been targets of hostility within a society. Examples would include Bahais and other groups in post-1979 Iran, Kurds in Iran and Iraq, Tamils in Sri Lanka, Indians in Guatemala and Nicaragua, and a number of tribal groups in Africa (such as the Banyarwanda, expelled from Uganda in 1982). A particularly easy target in this respect are resident aliens (who may have lived in a country for decades or even generations); there have been a number of cases in Africa, most notably the Ugandan expulsion of Asians.

Ethnic groups associated with a rival are also a vulnerable target. Sometimes ethnic groups straddle borders, and sometimes pairs of states contain minorities associated with each other. In the early 1950s Jews were forced out of Arab lands, in 1971 Hindus were expelled from East Pakistan, and more recently ethnic Somalis fled from Ethiopia; pairs of states include India and Pakistan in 1947, Rwanda and Burundi in the 1970s, and the Turkish- and Greek-controlled sectors of Cyprus after 1974.

Other obvious targets include groups associated with former rulers and those considered to be political opponents. The whites who fled African states after independence, in Algeria, Angola, Mozambique, and Zimbabwe, are one case, while others include the Hmong in Laos (who cooperated with the American military) and, in certain respects, the Asians of East Africa. Political opponents are the classic 'asylum' cases: Chileans fleeing the Pinochet regime, Nicaraguans fleeing either Somoza or the Sandinistas, black activists in exile from South Africa.

A regime bent on radical restructuring may put pressure on an entire social class; the exodus from Castro's Cuba consisted in large part of Cuba's middle and upper class, and the Vietnamese explained the flight of their Chinese minority as a response to measures taken against the merchant class—which happened to be largely Chinese. Sometimes a regime makes war not just on minorities, but on the bulk of its own population. Cambodia under the Khmer Rouge, and Afghanistan since 1979, qualify for this distinction; in both cases the number of refugees is

a significant fraction of the total population. Most extreme was Equatorial Guinea under the infamous Macías regime in the late 1970s, where at one time an estimated half of the population sought refuge outside the country.

Clearly emigration from the Third World in our era has often been forced. In nearly all the cases cited, and many others, the flight of refugees was not just the 'unintended consequence' of events, but suited the purposes of the government. The immediate impetus may have been political or social upheaval, social discrimination, or economic deprivation that was not a direct government action, though the government may have been ultimately responsible. Some are cases of indirect coercion in which the government acquiesces in developments that leave little choice but flight. Behind this, often, were measures taken 'in the name of modernisation and progress', such as land appropriations or suppression of traditional folkways.⁸

Many of those forced out by indirect methods are not covered by the UN-recognised definition of refugee, which hinges on a 'well-founded fear of persecution'. Yet the element of duress is still there, and so is the need for humanitarian assistance. International agencies have therefore edged toward broader operational definitions; the Organisation of African Unity, in particular, has included external aggression, military occupation, foreign domination, and 'events seriously disturbing public order' as recognised sources of refugees. R K Jenny, for one, has suggested a far more realistic definition of refugees today, covering instances where 'a State acts, or fails to act, with the intention and the effect of enforcing or inducing the departure of persons against their will'.⁹

One expression of the changed character and scale of refugee flows is what Suhrke and Zolberg call 'refugee-warrior communities'.¹⁰ These communities depend on external aid to survive as a fighting group, typically in areas contiguous to their homeland, and the intrusion of international rivalries usually guarantees them a patron who finds their military activities useful to his own ends. They develop new exile leaders, adapted to the quasi-military style of life, who have a vested

⁸ Aga Khan, *op. cit.*, p 31.

⁹ R K Jenny, 'The changing character of contemporary migration', paper presented at the Round Table on the Movements of People, International Institute of Humanitarian Law, San Remo, 14-18 June 1983.

¹⁰ Astri Suhrke and Aristide R Zolberg, 'Social conflict and refugees in the Third World: the cases of Ethiopia and Afghanistan', paper presented at the annual meeting of the American Political Science Association, Washington DC, 1984, pp 47-9.

interest in the perpetuation of the conflict and are typically opposed to any compromise that would 'liquidate' their grievances and their struggle. The archetypical case is the Palestinians, but others include the Afghans, Khmers fighting the Vietnamese-backed regime in Cambodia, the Nicaraguan contras, and Somalis on the Ethiopian border. The presence of such groups adds another problematic dimension to the problem of free international movement in our time.

Combating the brain drain

The second pattern of constraint on Third World emigration is a reaction to the threatened loss of skilled manpower. Concern over the loss of needed skills first surfaced around 1960, though at that time the concern was over the loss of European professionals and scientists to the United States. The theme was quickly picked up, however, by Third World nations, who complained that they were losing substantial numbers of their own skilled professionals. This amounted, they maintained, to a subsidy of those who least needed it by those who could least afford it. It was, in their words, a 'reverse transfer of technology'. By one estimate, the United States and Canada enjoyed a 'brain gain' during the 1961-72 period equivalent to \$46 billion, in terms of educational costs saved by importing already-trained experts and technicians.¹¹

A report by the United Nations Institute for Training and Research (UNITAR), in 1968, confirmed that there was, indeed, a large flow of skilled manpower from less developed to developed countries, that the rate of emigration was highest at the higher levels of skill (especially among engineers, medical personnel, and scientists), and that the flow was increasing and could be expected to continue increasing (except perhaps from South America).¹² Another UNITAR study, the Henderson report of 1970, put specific percentages on some of the losses. Colombia, by this account, lost 27 per cent of its highly qualified professionals in the 1964-9 period, while Greece lost 35 per cent of its engineers, 27 per cent of its scientists, and 25 per cent of its doctors in just four years (1961-5). Ten per cent of all Indian doctors were working in Britain or the United States. According to a 1977 report for the United Nations Conference on Trade and Development (UNCTAD),

¹¹ Kathleen Newland, *International Migration: The Search For Work*, Worldwatch Paper No. 33, Washington DC: Worldwatch Institute, November 1979, p. 12.

¹² *Outflow of Trained Personnel from Developing Countries*, Report of the Secretary-General, New York: UNITAR, 1968, p. 5.

Pakistan lost 50–75 per cent of its medical school graduates each year.¹³

Nineteen eighty-four estimates of total accumulated loss of professional manpower from the Third World range from around 400,000 to 500,000.¹⁴ But numbers do not convey the full story: Sudan lost only 1 per cent of its labour force to emigration, but this included 70 per cent of its medical graduates and such high percentages of high-level clerical personnel as to become 'an obstacle to the efficient working of government.'¹⁵

The Prime Minister of Jamaica, Edward Seaga, told the Governing Council of the United Nations Development Programme (UNDP) in mid-1984 that in the years 1977–80 alone Jamaica had lost about 60 per cent of its professional graduates to North America, representing a loss of about \$194 million in educational costs. He concluded pessimistically that such losses would continue, since 'countries which have open societies cannot restrain this movement without violating essential human rights, and at the same time cannot compete with the financial and other advantages offered by the industrialised countries.'¹⁶

Despite all this, the attention paid to the brain drain declined during the 1970s, whether due to verbal saturation, frustration over lack of action, or the sheer intractability of the problem. There had been a seemingly endless parade of studies, over twenty by UNCTAD alone up to 1984. The fact that there were still calls for more data, after almost twenty years of studies, indicated some of the complexity in defining and measuring such an intangible commodity as brainpower.

In addition, a growing number of resolutions had been passed by the General Assembly, UNCTAD, and other UN organs. In general, these resolutions called on developed countries to encourage foreign students and professional workers to return to their native lands, advised less developed countries to indigenise their education and provide more professional opportunities and recommended that everyone study the problem more carefully. Some of these admonitions urged that

¹³ Gregory Henderson, *The Emigration of Highly Skilled Manpower from the Developing Countries*, UNITAR Research Reports No. 3, New York: UNITAR, 1970, pp 29, 130; S M Naseem, *Case Studies in Reverse Transfer of Technology (Brain Drain). A Survey of Problems and Policies in Pakistan*, Geneva: United Nations Conference on Trade and Development, TD/B/C.6/AC.4/3, 20 December 1977, p 28.

¹⁴ United Nations Conference on Trade and Development, *Proposals on Concrete Measures to Mitigate the Adverse Impact of Reverse Transfer of Technology on Developing Countries*, TD/B/AC.35/6, 20 July 1984. This report from a meeting of governmental experts gives a figure of over 400,000; a later UNCTAD report (TD/B/10/18, 17 September 1984) estimates 500,000.

¹⁵ Newland, *op cit*, p 11.

¹⁶ Edward Seaga, 'Towards an international fund for manpower resources', address to the Governing Council of the United Nations Development Programme, 12 June 1984.

international migration flows be more carefully 'organised', and that the consent of governments be sought for substantial flows, but none of the UN documents made any direct call for restrictions on the right of people to leave their country. It was obviously difficult to find countermeasures that were acceptable to all sides and consistent with basic human rights.

But sooner or later claims of national development were bound to clash with freedom of movement. Third World spokesmen, from the 1960s began to express theoretical reservations to unrestricted emigration. Gregory Henderson, in his 1970 UNITAR report, warned that 'in a world of stark wealth-poverty, there are legitimate doubts as to whether complete freedom of movement is, in fact, compatible with the maximum development of developing countries.'¹⁷ In the debate over the interests of society versus the rights of the individual, these nations began with a 'tilt' toward society, toward what they called 'economic and social rights' as opposed to the political and civil rights of the individual. This frame of mind was captured admirably in 1973 by an Egyptian diplomat, Hussein A Hassouna, in a legal debate over the right to leave:

The right to leave a country is certainly an important right but the importance attached to it is by no means universal . . . whereas in Western opinion the right to leave should be absolute and unqualified, most developing countries see it subject to limitations and qualifications. Indeed, to open the door for unrestricted emigration would run counter to the vital interests of any developing society.¹⁸

Given the tensions with development concerns, then, the right to leave has not been among the rights Third World spokesmen have championed or given high priority. Generally they have not attacked the legitimacy of the right to leave, but they have not called attention to it either. It is not part of their agenda or prominent in the consensual perspective shared by most Asian and African spokesmen. As an international civil servant from India put it, 'we are not going to stop it, but we are not going to champion it either.'¹⁹

In a few cases, the temptation to use 'direct measures' to stem the flow of a country's scarce professionals has prevailed. In Mozambique,

¹⁷ Henderson, *op. cit.*, p 117.

¹⁸ 'Expulsion and expatriation in international law: the right to leave, to stay, and to return', remarks by Yash P Ghai, Lung-chu Chen, Valerie Chahidze, Hussein A Hassouna and Sidney Liskofsky, *American Journal of International Law* 67(5) November 1973, p 136.

¹⁹ Personal interview with Rustam Lalkaka, Deputy Director, United Nations Interim Fund for Science and Technology for Development, 9 April 1984.

for example, the announced policy is to 'discourage' emigration, and an applicant for an exit visa must justify his case; he is not allowed 'just to emigrate.' *Given the need for skilled people, it is argued, the right to leave 'must be implemented in accord with the situation in the country.'*²⁰ Other African states, less restrictive, may still use 'administrative measures' to retain particular individuals, on grounds of their responsibility to serve the nation. The fact that many or most professionals work in the public sector gives governments more control in such cases.

A 1983 UNCTAD survey recorded five types of restrictive measures used by states to plug their brain drains. The most direct was control of passports and exit permits, to which only a handful of countries would admit. Service bonding, or acceptance of an obligation to work at home in return for support in study abroad, was employed by a few. Some countries discouraged study or work abroad by tight controls on foreign exchange, travel taxes, or required deposits for return passage. Others required that a given percentage of foreign earnings be sent back home, though the motive was more often to earn foreign exchange than to curb emigration. Finally, there were measures directed specifically at professions where the drain was greatest.²¹

One of the more instructive efforts to restrict professional emigration directly was made by Pakistan in early 1976. In January of that year the government announced an Emigration Ordinance that required thirteen categories of skilled personnel to obtain 'no objection certificates' from the relevant ministry before leaving the country, and made them liable to a 'capitation fee' of up to 20 per cent of income earned abroad. A storm of protest ensued, forcing the government to withdraw the legislation ten days later, except for the requirement of 'no objection certificates' for doctors (required since 1973) and public employees. Even this was ineffective, as government employees could always resign their jobs, and, as noted, large numbers of doctors managed to leave the country in any case.²²

Regarding profession-specific measures, the loss of medical

²⁰ Personal interview with Elias Jaime Zimba, Political Affairs Officer, Mozambique Mission to the United Nations, 27 April 1984.

²¹ United Nations Conference on Trade and Development, *Consideration of Recommendations on Policies and Concrete Measures with a View To Mitigating the Adverse Consequences for the Developing Countries of the Reverse Transfer of Technology, including the Proposal for the Establishment of an International Labour Compensatory Facility*, TD/B/AC.35/2, 17 June 1983, pp 9-12.

²² Naseem, *op. cit.*, pp 19-20.

personnel in particular has evoked drastic responses over the years. Haiti at one point completely forbade the departure of doctors, dentists, nurses, and laboratory technicians. Thailand and Ethiopia adopted compulsory periods of service for medical graduates, and other countries have sometimes required that those applying to study medicine abroad post bonds guaranteeing their return. The authors of a World Health Organization (WHO) study on physician migration note that 'the countries concerned . . . claim that, in order to reconcile the rights of society with the rights of the individual, some personal freedoms may need to be restricted'.²³

This emphasis on community rights has enabled Eastern bloc nations to use the brain drain issue effectively. Brain drain concerns seem to illustrate the justice of controlled emigration, and help to justify Eastern bloc policies in terms understandable to the Third World. It is also a good issue for strengthening cooperation between the two blocs, in common cause against Western 'exploitation'. The Soviet bloc has therefore incorporated the brain drain rhetoric into its own verbal arsenal, making a case for direct controls that Third World spokesmen seldom make for themselves.

An illuminating statement of the Eastern bloc viewpoint has been made by Péter Vas-Zoltán, a Hungarian economist. Vas-Zoltán begins by shifting the ground from the individual to the collectivity, stressing Article 29(1) of the Universal Declaration of Human Rights: 'Everyone has duties to the community in which alone the free and full development of his personality is possible.' The community has the duty, Vas-Zoltán continues, to provide professional training at state expense in the socialist nations and 'the human capital created in this way becomes part of the nation's wealth in the broadest sense of the term.' The state has, therefore, the implied right to prevent loss of this capital, if necessary by 'administrative' measures.²⁴

Such measures may also be a necessary defence against the active recruitment of professionals by Western interests, Vas-Zoltán argues. The US economy, he asserts, could not keep going without the influx of professionals trained at Third World expense; therefore, it actively organises the process (immigration laws favouring professionals are cited as evidence). This is in his estimation a symptom of the unequal

²³ Alfonso Mejia, Helena Pizurki and Erica Royston, *Physician and Nurse Migration: Analysis and Policy Implications*, Geneva: World Health Organisation, 1979, pp 183-5.

²⁴ Péter Vas-Zoltán, *The Brain Drain. An Anomaly of International Relations*, Leyden: A W Sijthoff; Budapest: Akadémiai Kiadó, 1976, pp 24, 25, 27.

power relations in the world system, an expression of the 'objective laws' governing social systems at different stages of development.²⁵

Though Vas-Zoltán does not directly urge Third World countries to adopt Eastern bloc practices on emigration, he lays the basis for their doing so (defending, for example, the measures taken by East Germany in Berlin). He provides them with a justification for drastic action that few of them have sought or claimed for themselves, since relatively few Third World nations have tried to deal with the brain drain by choking off emigration directly.

Why do Third World governments hesitate to press for such an obvious answer to such an ominous threat? Why, for example, do none of the UN resolutions on brain drain, over which they have great influence if not control, even hint at such measures? One plain reason is that where they have been tried, 'direct measures' simply have not worked. The 1983 UNCTAD study, after surveying such methods, concluded that they were universally ineffective. A 'Berlin wall for brains' will not solve the problem. Even Vas-Zoltán admits that 'it has been proved in practice for decades now that brain drain cannot be stopped by administrative measures (eg. by travel or visa restrictions)'. Typical of UN statements is a 1970 Report of the Secretary-General:

In view of the nature of the forces at work stimulating the outflow, it would seem advisable for both developed and developing countries to concentrate on development goals and to minimise migration controls as the basic strategy for keeping more of the ablest and most needed specialists at home.²⁶

Why should this be the case? In the first place, Third World countries, like all countries until recently, exercise somewhat imperfect control over their own borders. As another study put it, 'If an individual feels strongly that emigration is his best course, it is doubtful that passport control will stop him from migrating.'²⁷ Moreover, the highly skilled are precisely the most difficult segment of the population to contain. Many are already abroad, as students (up to half of the brain drainees in the US, for example, simply stayed on after their studies). As a group, professionals are the most familiar with international travel and the

²⁵ *ibid.*, pp 26, 67-9, 117-18

²⁶ UNCTAD, *Consideration of Recommendations . . . op. cit.*; E. Gaughin, 'A "Berlin wall" for brains no solution for drain', *Financial Times* (London), 19 January 1968; Vas-Zoltán, *op. cit.*, pp 20-1; United Nations Economic and Social Council, Forty-Ninth Session, *Outflow of Trained Personnel from Developing to Developed Countries*, Report of the Secretary-General, E/4820, 1970, p 46

²⁷ Robert G Myers, *Education and Emigration: Study Abroad and the Migration of Human Resources*, New York: David McKay, 1972, p 334.

most resourceful in evading restrictions on it. They are, by and large, a part of the local elite—often the children of the elite—and as a privileged segment of society, can circumvent restrictions that are imperfectly conceived, imperfectly formulated, and imperfectly implemented. They also have a genuine need for mobility; a developing country that seals its professionals off from training and contacts abroad only handicaps itself.

According to the evidence, Third World regimes that have tried the restrictive approach have not had their heart in it. They seem to realise that such measures, to be effective, would have to be much more drastic. Partial measures may only increase the urge to leave while it is possible; both India and Pakistan found that measures to keep doctors at home only increased the pressure to leave, in apprehension of even worse measures. The WHO study of physician migration noted that penalties on illegal departure have the counter-productive effect of discouraging an eventual return.²⁸ In short, effective immobilisation of a country's talent would require something like a police state; to their credit, most Third World governments do not want to take this route, and those that do tinker with restrictive measures seem to do so without much will or enthusiasm.

Sri Lanka is another country that tried the restrictive approach and found it wanting. In 1961 it adopted a Compulsory Public Service Act, requiring all professional graduates to serve five years in public service. This was followed by a passport law in 1971 requiring remittances from professionals abroad, and in 1972 by a system of service bonds requiring one year's public service for each month of state-supported study abroad. By 1974, however, a Cabinet Committee was forced to conclude that 'the heavy hand of the State' had not been effective in discouraging emigration, and these measures were relaxed. Subsequently stress was put on creating better opportunities, and Sri Lanka became one of the more successful exemplars of positive programmes as a response to the brain drain.²⁹

Finally, many of the countries that lose professionals—Pakistan for example—are at the same time encouraging the outflow of labour migration on other levels, and this impinges on any anti-emigration policy. They do not call on the Western world to tighten its immigration

²⁸ UNCTAD, *Consideration of Recommendations . . . op. cit.*, Mehta et al., *op. cit.*, p. 472.

²⁹ United Nations Conference on Trade and Development, *Case Studies in Reverse Transfer of Technology (Brain Drain): A Survey of Problems and Policies in Sri Lanka*, TD/B/C.6/AC.4/4, 19 December 1977, pp. 11–17.

laws, which would be one way of keeping brains at home. To the contrary, they often denounce the tight restrictions of Western immigration policy. They also hesitate to interfere with the right to leave, even if they could find a practical way to exclude the most talented from those allowed to depart.

But what of the ominous statistics, cited above, on the brain drain? Is it not possible that the loss of top-level experts could be a real problem, even if the emigration of others is not? Looking more closely at the claimed costs of the brain drain, one notices first that these costs are simply assumed. The statistics only tell us the numbers of professionals who have emigrated; there are no statistics, and no agreed means of measuring, the actual damage done to a state's economy and society. Henderson, in his landmark study, concludes that 'it is not possible to assess with confidence the loss (or profit) that the present migration of professionals inflicts on developing countries.'³⁰

We do, however, know something about the patterns of professional emigration and the motivations of the 'drainees', based on the numerous studies carried out. These studies, and in particular a large multinational survey in the 1970s coordinated by UNITAR, put the brain drain issue in a revealing perspective.

In the first place, the phenomenon varies considerably among countries. Actually, European nations still lose more of their students and professionals than do most developing countries; during the 1960s, Britain was regularly losing from 20 to 40 per cent of its graduating engineers and scientists every year, mostly to North America.³¹ Among developing countries, according to the UNITAR study, the percentage of students abroad who plan to return home varies enormously (98 per cent for Ghanaians; 30 per cent for Egyptians). The bulk of Third World emigrant professionals come from a few nations: India, the Philippines, Iran, Korea, Pakistan, Egypt, Greece, and Turkey (in Latin America, the principal losers are the Caribbean nations, Colombia, and Argentina).³² What most of these countries have in common is a large population base and a relatively advanced educational system, especially in relation to the professional opportunities available.

Contrary to common belief, it is not the least developed countries that suffer the most from the brain drain, nor does faster economic growth in

³⁰ Henderson, *op. cit.*, p 116.

³¹ Gaughin, *op. cit.*

³² William A Glaser, *The Brain Drain: Emigration and Return*, UNITAR, Oxford: Pergamon Press, 1978, pp 24-8; see also Henderson, *op. cit.*, pp 53-4

itself seem to reduce it. In reality, the least developed countries have less trouble getting professionals back, because there is less competition for available openings and because adjustment to life in North America or Europe is more difficult. Countries at a higher level of development seem to have more trouble, apparently because of imbalances between education and opportunities available.³³

Next, any analysis of the brain drain must subtract the political component of professional emigration. A surprising percentage of the 'drainees' are actually members of minority groups who have been made to feel uncomfortable or unwanted (by language legislation and other 'homogenising' policies), or are at odds with the regime politically. Sometimes intellectuals as a group are seen as a threat and harassed. Many African experts assert that the loss of skilled people on their own continent is due more to political than economic causes.³⁴

The case of Uganda in particular stands out; over the years the expulsion or persecution of Asians, of certain tribal and political leaderships, and of intellectuals generally, has deprived that country of a fair part of its professional class. The treatment of Chinese in Vietnam, Indonesia and Malaysia also comes to mind. The impressive outflow from Jamaica in the late 1970s, noted by Prime Minister Seaga in his speech cited above, was in large part due to the international instability and economic crisis that brought him to power in the 1980 elections. The most intensive and systematic brain drain in the world, in all likelihood, has been in Haiti, which may have lost 60–75 per cent of its high-level manpower since 1950—almost entirely as a result of the policies and activities of its government, which may qualify as the hemisphere's worst man-made disaster.

After allowing for non-economic causes of professional emigration, the decisive motivation appears to be one of working conditions and employment. Level of income is less decisive, apparently, than satisfactory employment in one's area of training. Thus much of the outflow is an overflow: 'A crucial criterion is the balance between the education of professional persons and employment opportunities.'³⁵ In other words, *the main motivation for the remaining emigration is the lack of suitable jobs*. There are some cases where jobs go unfilled, but in most

³³ Glaser, *op. cit.*, pp 29–33.

³⁴ Based on personal interviews with several African representatives, including a former cabinet minister now serving as an expert on refugee affairs for a UN body, see also Glaser, *op. cit.*, pp 39–46.

³⁵ Glaser, *op. cit.*, p xxxix; see also pp 33–6, 92, 115, 120–4, 126–8

cases, there is simply no employment fitting the drainee's training and qualifications. In the words of the Henderson report:

The chief general cause of brain drain appears to be the lack within developing nations of effective *demand* for professionals despite the presence of almost unlimited *need* . . . In fact, though manpower shortages are often quite acute, the ability of most developing countries to absorb specific high-level skills is limited; often the actual numbers required are relatively small and a small rise in supply may quickly reverse a need recently acute.³⁶

If this is the case, it is not the availability of more tempting options in the developed world that is at the core of the problem, nor would restricting access to these options solve it. It is not even a 'drain' in a real sense, since a professional who remained at home would probably not find employment making use of his skills, and his presence would not speed development. Thus countries with the greatest outflow of professionals are not necessarily 'hurting' more, as they are in no position to use the lost skills anyway.

These facts help explain an observable oddity about the relationship between brain drain and emigration policy in the Third World: *those states that have suffered the greatest loss of professional manpower have by and large not tried to restrict movement, while those with restrictive attitudes often admit that the brain drain is not a real threat to them.* It also helps explain the lack of concern about the brain drain noted by many observers. A few years ago, the UN Economic and Social Council asked member states to comment on proposals regarding brain drain; only nine developing nations replied. When the US Department of State surveyed US missions in seventy-six nations on the return of students from the United States, only sixteen replied that the local government felt it was a problem. The truth is that 'comparatively few developing states have, up to now, felt strongly that action should be taken.'³⁷

Elites in Third World countries do not want to give up education abroad, of which they and their families are the chief beneficiaries. They also know that they benefit from the talents of individuals whose training has been paid for elsewhere; there are counterflows that often offset the presumed losses. Within regions particularly, the diffusion of skills and building of cohesion, through the movement of skilled personnel, has sometimes been remarkable (the Arab Middle East being a case in point). Third World leaders are not unaware of the

³⁶ Henderson, *op. cit.*, pp 39, 125.

³⁷ *ibid.*, p 119.

classic benefits of human movement, nor have those benefits ceased to be relevant in the context of underdevelopment.

It is doubtful, in short, that more discerning Third World leaders have any real interest in direct controls on emigration, even if such controls could be made effective. There are, after all, many powerful forces pulling emigrants back to their homelands, and if the absence of suitable employment was the main reason for departure, the nature of the solution seems clear. The WHO study of physician migration concludes on this point: 'When a country reaches the point where it can afford its expatriates, most are likely to return of their own accord, given that ties with family, culture, and homeland are not easily broken.' The study also concludes, with unassailable logic, that a country should either produce no more physicians than it can employ, or should create jobs to employ those produced.³⁸

The most effective measures, in short, will be positive rather than negative. Nations affected by the brain drain can begin by eliminating the political conditions—persecution, pressure to assimilate, harassment of intellectuals—that contribute to it. Among other positive measures, perhaps the most crucial is the development of local higher education and its coordination with the availability of employment. This may involve the 'indigenisation' of professional training, replacing Western educational styles with native modes more closely attuned to local needs and expectations. There are a number of other constructive ideas in circulation, among which are:

- (1) Programmes for cooperative exchange of skills among developing states, as promoted in UNCTAD.
- (2) The 'return of talent' programme of the Intergovernmental Committee on Migration, which seeks placement of expatriates in their homelands or the region of their homelands.³⁹
- (3) The transfer of knowledge through expatriate nationals (TOKTEN) programme, in the framework of the UN Development Programme, which has brought over 1,000 expatriates back to their countries as visiting consultants.

³⁸ Mejia *et al.*, *op. cit.*, 415–16, 422. On the intention of most students to return to their homeland, even after extended employment abroad, see Glaser, *op. cit.*, pp 14–19, 22–3.

³⁹ James L. Carlin, 'New international initiatives in responding to refugees', in Lydio Tomasi (ed), *Immigration and Refugee Policy*, Vol 6 in *In Defence of the Alien*, New York: Centre for Migration Studies, 1984, p 150.

(4) The proposal of Prime Minister Edward Seaga of Jamaica for an international fund for manpower resources that would finance the recruitment of skilled manpower in Third World countries.

There are, therefore, constructive avenues that states can explore in order to defend their interests. Moreover, examined closely, the brain drain takes on less frightening proportions, and appears to have little conflict in practice with the right to leave one's country. Why, then, has the issue created such a stir?

On the part of the Third World, the issue may be important because of its linkage to North-South tensions. The 'drained' countries are not interested so much in imposing restrictions on themselves, as in gaining recognition of the responsibility of the industrialised nations to the less developed. The 'brain drain' is one index of their inability to compete with the North, and an important symbol of the gains which Northern states make at their expense.

The greater interest of Third World governments, therefore, is in some form of compensation for losses incurred. A number of ideas along these lines have been proposed and promoted. The problems with such proposals are easy to imagine. In the first place, developed states question whether there is a 'real loss'—on the grounds discussed above—and have not demonstrated an acute interest in being charged for the services of voluntary immigrants. Then there is the problem of calculating the value of something as intangible as 'brains': should this be measured by the cost of a person's education, the cost of replacing his services, the worth of his future earnings, or some combination of these? Finally, there seems to be something crass, if not dehumanising, in regarding human beings as a commodity whose value is to be negotiated among states. Most observers feel that the idea of compensation will go nowhere; Third World governments would probably be better advised to focus on the type of positive measures illustrated above.

If the brain drain issue is important to Third World nations for its North-South connotations, what of the interest of the Eastern bloc? As indicated already, the issue is ready-made for building anti-Western sentiments. Also, the brain drain litany is the best weapon that closed countries have in attacking the concept of free international movement. By identifying the 'stealing of talents' with neocolonialism and the exploitation of the Third World by the First World, it is possible to delegitimise the right of emigration. A key indication of this is that these arguments, presumably made on behalf of the Third World, go beyond

what the Third World claims for itself. One might well regard such solicitude with a measure of scepticism.

Emigration and expulsion in the Third World

The cases of denied exit in the Third World are not nearly as widespread nor as dramatic as the expulsions. The two phenomena are closely interrelated, however, and not only because the same states are involved in both cases. In states that refuse permission to leave, those who manage to leave anyway automatically become 'refugees', and in other cases people flee 'pre-emptively' because they anticipate being locked in by a new regime or a new policy. These patterns become clear in a review of controlled international movement, of exclusion and constraint, as it has evolved in Asia, Africa, and Latin America.

In Asia there is a strong tradition of governmental authority, and emigration has been regarded more as a privilege than as a right. Even where there is little interference in practice, the government theoretically retains discretion over permits to leave (as in, for example, Malaysia, the Philippines, Singapore, Thailand, and Pakistan). The only clear-cut guarantors of the right, where permissible exemptions are written into the law and are subject to judicial review, have been Japan, Australia, and, to some extent, India.⁴⁰

As Communist regimes were established or consolidated in Asia (China and North Korea in 1949; Vietnam, Laos, and Cambodia in 1975; Afghanistan in 1979), they almost uniformly eliminated free emigration. The same states also produced a large share of the area's refugees. Chinese consolidation of control in Tibet led to the flight of the Dalai Lama and about 85,000 other Tibetans in 1959.⁴¹ In addition, a steady stream of Chinese refugees reached Hong Kong. Following the 1954 cease-fire in Indochina, which temporarily partitioned Vietnam, a large number of 'pre-emptive' refugees—mainly Catholics—moved from the Communist-controlled North to the South. The 1975

⁴⁰ David Marshall, 'The Far East', in Karel Vasak and Sidney Liskofsky (eds), *The Right to Leave and to Return*, New York: American Jewish Committee, 1976, pp 345-411, and Niall MacDermot, 'India, Sri Lanka, Pakistan, Bangladesh and Afghanistan', in *ibid.*, pp 413-30. The Vasak and Liskofsky volume is a collection of the papers given at the Uppsala symposium, in 1973, and is a principal source for other states during this period as well. On India, see also M P Chandra Kantaraj Urs, 'Right to Freedom of Movement Outside One's Country', in International Commission of Jurists, Indian Commission of Jurists, and Mysore State Commission of Jurists, *International Year of Human Rights: Report and Conclusions of the Conference of Jurists on Right to Freedom of Movement*, Bangalore, 1968, pp 25-51.

⁴¹ Holborn, *op. cit.*, pp 715-17.

consolidation of Communist regimes in Indochina produced a large outflow over the next few years.

In the early 1970s, several other Asian states also restricted emigration closely, if not quite as tightly. Under the revolutionary government in Burma, it was very difficult to get a passport. Permission to leave Indonesia or Taiwan could be denied for political reasons, and at one time getting out of Sri Lanka was described as 'practically impossible'.⁴² Many of these nations also had induced refugee flows, usually on an ethnic basis: Indians, Arakanese Muslims, Malays, and Karens from Burma; Chinese (and more recently Papuans) from Indonesia; Tamils from Sri Lanka.

There were also a large number of refugees on the Indian subcontinent, along ethnic-religious grounds. With the partitioning of India in 1947, an estimated 8.5 million Hindus and Sikhs moved from Pakistan, while some 6.5 Moslems fled from India.⁴³ The Pakistani campaign in East Pakistan (Bangladesh) in 1971, as already noted, produced a huge flow of both Bengalis and Hindus into India (a number estimated at about ten million).

Throughout the area, the element of coercion in both denying and forcing emigration was high. Most refugee flows seem to have a high degree of compulsion behind them. There was also a high association between the two forms of coercion; constraint on free emigration went hand in hand, in most cases, with the generation of refugees.

In the Middle East, despite a tradition of authoritarian government, there has generally been less restriction on movement. This may be due in part to the unifying influence of Islam, and in more recent times to the sense of a common Arab nationality across existing borders. In more traditional patriarchal regimes—Saudi Arabia in particular—women may not leave the country without the consent of the husband or father. But by and large, restrictive trends had limited impact in the area.

The major exceptions are the radicalised regimes: Syria, South Yemen, Iraq after 1958, Libya after 1969, Iran after 1979. Some of these states—Iraq, Syria—have constitutional guarantees of the right to leave, but these are of limited relevance. The same states account for many of the deliberate expulsions in the area: Iraq expelled Iranians in 1969 and Kurds in 1974 and at other times; Iran has vacillated between forcing

⁴² MacDermot, *op. cit.*, pp 413–30.

⁴³ Gunther Beijer, 'The political refugee: 35 years later', *International Migration Review* 15(1–2) Spring–Summer 1981, p 29.

out Bahais and other minorities, and forcing them to stay; Libya expelled all Egyptians and Tunisians in 1976.

Some Middle Eastern states provide for denial of permission to leave on security grounds, and exercise this power in some individual cases. This would include Egypt, Israel, Jordan, and Lebanon.⁴⁴ Algeria, in 1973, suspended all new emigration to France in reaction to racist incidents there involving Algerian workers, despite the fact that the Algerian economy had become dependent to some degree on the export of labour.⁴⁵

The largest body of refugees in the area are the Palestinians, estimated at 600,000 to 700,000 in 1948 and now increased to about two million, according to UN figures.⁴⁶ Following the 1948-9 war, a similar number of Jewish refugees from Arab countries came to Israel, most of them as involuntary emigrants. While Arab states sometimes forbid Jews to leave, this alternated with de facto coerced exit.⁴⁷

On the whole, however, the Middle East had a lower level of coercion in emigration policies than Asia, and most of it was accounted for by a handful of radicalised regimes. There was also a lower level of forced expulsion; many refugees were a byproduct of war more than deliberate policy. But, in the latter case, it was often the same regimes that were responsible.

In Africa, there was also traditionally much free movement; many groups lived a semi-nomadic existence, and precisely defined state borders were a nineteenth-century European imposition. Many African states upon independence guaranteed the right of emigration constitutionally, but this has sometimes been undermined by assumption of discretionary authority either in theory or in practice.⁴⁸

Tight restriction of the right to leave has spread to only a few African countries: Somalia since the 1969 Barre takeover; Ethiopia since the

⁴⁴ Paul Weis, 'The Middle East', in Vasak and Liskofsky, *op. cit.*, pp 275-341.

⁴⁵ Stephen Adler, *International Migration and Dependence*, Westmead, England: Gower, 1981, pp 72-89.

⁴⁶ Few numbers are more controversial than the total of Palestinian refugees. The United Nations Relief and Works Agency for Palestinians in the Near East (UNRWA) had 1,954,000 refugee registered on 1 April 1983. For summaries of the evidence on the creation of the Palestinian refugees see K N Radley, 'The Palestinian refugees: the right to return in international law' *American Journal of International Law* 72(3) July 1978, pp 586-614, and Christopher Sykes *Cross-Roads to Israel: Palestine from Balfour to Bevin*, London: New English Library, 1967.

⁴⁷ Joseph B Schechtman, *On Wings of Eagles: The Plight, Exodus, and Homecoming of Oriental Jewry*, New York, 1961, *passim*.

⁴⁸ For the general picture, see G Lukongwa Binaisa, 'English-speaking Africa', pp 431-7 in Vasak and Liskofsky, *op. cit.*; and Ousmane Goundiam, 'Pays africains autre qu'anglophones' pp 439-72 in Vasak and Liskofsky, *op. cit.*

1974 deposition of Haile Selassie; Mozambique and Angola since independence in 1975. Again, these represent the most heavily ideologised states in sub-Saharan Africa, and the same states account for a good share of the continent's refugees. In Ethiopia, Eritreans and Somalis have fled in the midst of a civil war, and the degree of coercion is debated. Angola and Mozambique both underwent a significant 'white flight' after independence, and many others have fled Angola in the course of protracted civil war, while there has been significant movement of certain groups out of Mozambique into neighbouring countries.⁴⁹

Africa has produced many refugees, but the circumstances have varied considerably. The clearest cases of direct expulsion were in Uganda, with the Asians in 1972 and certain tribal groups since. In late 1982, for example, the youth wing of the Ugandan Peoples' Congress, with the support of local officials, drove about 80,000 Banyarwanda out of the country (the Ugandan government later claimed it did not approve).⁵⁰ Less clearly a result of deliberate policy, but still related to assimilationist pressures, has been the flight of black Africans from southern Sudan during the Arab-dominated government's sporadic efforts to integrate the area more fully (most recently, by applying Islamic law).

There was a wave of expulsion of aliens in 1967-72, by Ghana (expelling mainly Nigerians), Sierra Leone (Ghanaians), Equatorial Guinea (Nigerians), Niger (Dahomeans), Uganda (Kenyans and others), and Zaire (from various countries). In 1978 Gabon expelled Benin nationals in retaliation for a Béninois condemnation of Gabon at an OAU meeting. In early 1983 Nigeria suddenly expelled about two million aliens, about half of them from Ghana, in response to economic difficulties and panic over the growing number of foreign workers, and in May 1985, it again gave about 700,000 aliens a week to leave the country.⁵¹

There were a number of other coerced movements that are best explained on a tribal basis. Some groups, under duress of one kind or another, crossed borders to find refuge with their own kin; this occurred in Guinea-Bissau, Ghana, Burundi (the Hutu fleeing from the Tutsi)

⁴⁹ Holborn, *op. cit.*, p 831

⁵⁰ Coles, *op. cit.*, pp 32-3; Roger P Winter, 'Refugees in Uganda and Rwanda: the Banyarwanda tragedy', *World Refugee Survey 1983*, New York and Washington DC: US Committee for Refugees, 1983, pp 28-31.

⁵¹ Coles, *op. cit.*, pp 27-31, 33-6; *New York Times*, 3 May 1985

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reform of management systems and institutions; and the curbing of public spending. A phrase identifying the roots of Africa's problems in its colonial past was hotly disputed and delayed the programme's adoption in the last session. Both the Soviet Union and the original drafters of the OAU-ECA document subscribed to the existing wording. The phrase was eventually diluted, however, to lay the blame for Africa's current problems partly on the colonial legacy and partly on the post-independence era.

The General Assembly was charged with reviewing and appraising the programme's implementation in 1988, while the UN Secretary-General would monitor progress in the intervening period, reporting to the UNGA in 1987, and meanwhile coordinating the assistance of the various UN agencies.¹⁵

● 'What we are seeking is a mutual commitment to a more productive future for Africa. Africa must commit itself to squarely facing its own problems and making the necessary difficult decisions and the world community must resolve that it will assist what is by far the world's poorest continent. The . . . target is not a catalogue of projects needing funding . . . We have to go beyond projects to the basic questions of attitudes, of priorities, of economic and social policy.' Edgard Pisani, Chairman of the Preparatory Committee of the Special Session, speaking of the session's goals. *Development Forum* April 1986.

'We have put our case before the international community, and we have put it squarely. We ourselves are determined to play our role and to pull ourselves up with our own bootstraps as it were, in keeping with the imperative of self-help and collective self-reliance.' Bernard Chidzero, Finance Minister of Zimbabwe. *International Herald Tribune* (Paris) 30 May 1986.

'The United States, with its own budgetary concerns, cannot meet all the African requests for assistance. So we are exploring creative alternatives mostly through multilateral institutions.' George Shultz, US Secretary of State. *The Guardian* (London) 29 May 1986.

▲ Conference on Sanctions against Racist South Africa Paris, 16-20 June 1986

■ Over 120 countries took part in the conference, which was organised by the UN Special Committee on Apartheid, in cooperation with the Organisation for African Unity (OAU) and the Non-Aligned Movement (NAM). Taking place on the tenth anniversary of the Soweto uprising, and four days after the declaration of a state of emergency in South Africa, its brief was to review developments since the last such conference in Paris in 1981, and to propose measures aimed at ending apartheid and South Africa's interference in its neighbouring states. While seven countries including France and Japan attended the conference as observers, the US, Britain and West Germany, South Africa's main trading partners, were conspicuously absent.

A succession of speakers advocated the application of global and mandatory sanctions against South Africa, criticising the absent industrialised countries for lacking the political will to implement adequate measures against Pretoria. President

the Sandinistas, has stopped opposition leaders from travelling abroad, and requires government officials and doctors to receive special permission to leave. The Stroessner government of Paraguay, and Haiti under the Duvaliers, have also been known to refuse passports on political grounds. The Haitian government has generally regarded emigration as a business rather than as a means of relieving the nation's population pressures, extracting up to \$1,500 for an exit permit and taking a cut of remittances sent back from abroad; it is also used as a means of sterilising the country of any effective opposition to the government.⁵⁴

Apart from the last two, this corresponds closely to the radicalised states in the hemisphere, and as elsewhere these states also account for a good proportion of the refugees. Apart from Cuba, there are now about 23,000 Nicaraguan refugees, according to the US Committee on Refugees (under the Somozas there were about 100,000, most of whom returned to Nicaragua after the Sandinista victory).⁵⁵

Other refugees in the hemisphere have included the opponents of the Pinochet regime in Chile (permitted to leave after the 1973 coup under a programme organised by the Intergovernmental Committee on Migration), Indians forced out of Guatemala by the army's 'pacification' programme there, and those fleeing from El Salvador and Haiti. The latter are regarded as economic migrants rather than refugees by the US government, since recognition as refugees would tend to discredit American support for the El Salvador and Haitian governments (as well as increasing refugee admissions to the United States). The weight of evidence would seem to be, however, that most of those fleeing, if not the victims of a deliberate policy, are at least leaving for political reasons, basically because they are members of groups that have been the targets of violence (El Salvador) or are victims of a 'kleptocracy' in which economics and politics are intertwined (Haiti).⁵⁶

Despite generally unrestricted and uncoerced movement, therefore, there are some controls associated with traditional methods of suppressing opposition, and some associated with the more ideological

⁵⁴ Aaron Segal, 'Haiti', in Segal (ed), *Population Policies in the Caribbean*, Lexington, Massachusetts: Lexington Books, 1975, pp 197-205.

⁵⁵ *World Refugee Survey 1984*, New York and Washington DC: US Committee for Refugees, 1984, p 39.

⁵⁶ Leonel Gomez, 'Feet people', in Robert S Leiken (ed), *Central America: Anatomy of a Conflict*, New York: Pergamon Press, 1984, pp 221-6; Segal, *op. cit.*, pp 177-215.

regimes. In Latin America, even more than elsewhere, the claims of development have not been an important factor in controlling international movement.

Ideology or developmental pressures?

The most restrictive emigration policies in the Third World appear under regimes that define themselves as Marxist-Leninist. There is also a 'developmental' model of control of movement, to which some states appear to belong and which also produced refugees in some cases. But the dramatic instances of coerced or denied emigration come where radical ideologies of state control are superimposed on developmental problems, especially in states suffering unusual handicaps in internal unity or external opposition.

Afghanistan and Ethiopia are both still in the stage of basic integration as a society. This helps to explain the unusual turmoil, and the resort to extreme measures. As Suhrke and Zolberg remark regarding Ethiopia, 'It was as if the French Revolution had been initiated by Napoleon, and in the fifteenth century rather than the eighteenth.'⁵⁷ These cases accounted for the most massive displacement, and for attempts (ineffective as they might be) to seal borders as tightly as Marxist-Leninist regimes elsewhere have done.

In Vietnam, different kinds of special pressures operated: the long and costly struggle, the difficult task of reconstruction, the presence of the Chinese threat. Cuba also faced the enmity of a powerful state in close proximity.

Developmental pressures, and especially the brain drain, make life more difficult, but by themselves provide no clear justification for abridging individual rights to free movement. Nor does development necessitate the production of refugees. Numerous cases, on both counts, show that development can take place successfully even with large professional emigration, and without purging a population of the nonconforming.

The thinking behind coercive emigration policies in the Third World is not essentially different from the key to the same dynamic elsewhere. It is an ideological frame of mind that reduces human beings to objects of state policy and regards their movement as matters of convenience to the state. The cases examined here also show the interplay between

⁵⁷ Suhrke and Zolberg, *op. cit.*, p 27

expulsion and constraint of movement, with one seeming to necessitate the other. There is a thin line between the two forms of coercion when rulers are committed to rigid and detailed blueprints for remoulding society.

Counter-trade as a Third World strategy of development

Economic relations between Third World and industrialised nations are in the process of fundamental alteration. The structure of trade, the international division of labour, global comparative advantage, access to markets and strategic raw materials, the transfer of technology, and industrial location as well as the 'management' of the global economic system are currently realigning to reflect international economic and political reality. This shift will be profoundly conditioned by the rapidity and pervasiveness of the expansion of counter-trade. The current debt/liquidity crisis has combined with significant global contraction to encourage renewed attention on alternative methods of international exchange. In addition, growing protectionism in the developed nations, falling commodity prices, and developed country intransigence towards Third World demands for new rules to the global economic game, have encouraged the expansion of counter-trade. Simultaneously, the maturation of Third World nationalism has reflected itself in the increased ability of less-developed countries to negotiate 'conditioned' or 'tied' trade arrangements as a means to promote the development process. Thus, from necessity and by design, Third World nations are increasingly adopting counter-trade as a major component of their international economic interaction.

As we shall discuss below, the phenomenon of counter-trade offers incentives to developing and developed nations alike. In an era of illiquidity, uncertainty, and global industrial realignment, counter-trade appears to be an ideal mechanism for maintaining growth, promoting exports and fostering economic diversification. Should both developed and developing nations continue in the longer run to pursue such bilateral reciprocal trade mechanisms, a significant restructuring

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of the present international arrangement would result. In this critical period of transition, international trade specialists have been split as to whether the counter-trade phenomenon is merely an *ad hoc*, transitory adjustment to the present economic morass or symptomatic of deeper structural reorientations in the global economy. For policymakers in government, multilateral organisations, and international business, the ephemeral or permanent nature of counter-trading will be crucial to successful future decisionmaking.

Thus, to ascertain the potential for future growth of counter-trading one must understand the origins, mechanisms, and current advantages of counter-trade. After exploring its dynamics, we shall suggest that counter-trade is (1) a development strategy currently being adopted by leading Third World countries that may achieve the long sought restructuring of the global economic order, albeit, in a sporadic, *ad hoc* fashion; and (2) a strategy of economic diversification accepted by some developed nations that reflects increased economic nationalism and autonomy.

Historical examples of counter-trade

The barter of goods and services between societies predates written history. Cashless societies have long designed acceptable rates of exchange that conformed to the cultural reality and needs of both trading groups. Anthropologists have marvelled over the long distance movement of goods by 'primitives' inhabiting the planet tens of thousands of years ago.¹ The key lesson, for our purposes, is that these early trading complexes were reciprocal, bilateral relationships based upon personal ties of mutual trust, benefit, and balance.

Early barter-trade complexes were based upon bilateral clearing arrangements.² When the cycle of the trading mechanism was completed, neither participant in the trading relation possessed a chronic 'deficit' or 'surplus' position. While much research has shown that one participant might have an obligation to reciprocate goods to the other trade partner at any given time, the relationship over the long run required a shifting balance between 'deficit' and 'surplus' positions.

¹ The literature of economic anthropology is filled with such accounts. See in particular George Dalton, 'Barter', *Journal of Economic Issues* (16) March 1982, p 182 and Thomas Harding and B. Wallace, *Cultures of the Pacific*, Free Press, 1970.

² This is true of modern hunter/gatherer, tribal, and chiefdom groups as well. George Dalton, *ibid*, p 181-90, and George Dalton (ed), *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Beacon Press, 1971.

Chronic surpluses or deficits implied a destabilisation in the trade relationship which early 'primitives' actively sought to avoid.³ Interestingly, it is the same destabilising adjustment between chronic deficit and surplus nations that international economic systems from the *Pax Britannica* to the Bretton Woods System have failed adequately to address.⁴ Chronic imbalances between 'primitive' groups implied a breakdown of mutually shared benefits, respect, and status. In the extreme case, relationships of vertical integration evolved (ie, structured superiority/inferiority) which were and are maintained by physical, psychological, political, and/or economic coercion. It is noteworthy that the beginnings of these relationships of structured inequality in archaic trading complexes coincided with the transaction from redistributive levels of socio-political integration to the formation of the state. The advent of physical coercion and economic coercion within a centralised socio-political framework coincided with relationships based upon structured inequality—within societies as well as between societies.⁵

A second point to be ascertained from the literature on early trading systems is that exchange between 'primitive' groups generally benefitted the entire community. Traded goods were distributed for the mass consumption of the band or tribe, with elaborate ritual and cultural pressures employed to ensure wide participation in the fruits of inter-group exchange.⁶ Again, coinciding with the advent of the centralised state, the structure, volume, and division of inter-group exchange began to shift. Increasingly, dominant elites, initially religious and military, later financial, industrial, and technological, usurped control over production and trade arrangements. These structures were shaped to fulfil elite preference patterns and to enhance their superior social position.

Under such circumstances, barter was still the basis of exchange but on terms set by the central elites. An example is in the inter-colonial trade of the Spanish empire in Latin America where barter between the

³ David Thomas, 'Exchange systems among the Pemon', *Ethnology*, January 1979, pp 61-2, and lectures on Economic Anthropology, Vanderbilt University, 1979-80

⁴ It was J M Keynes who predicted that the lack of a suitable adjustment mechanism would become the Achilles heel of the present Bretton Woods system.

⁵ See Elman Service, *Origins of the State and Civilisation: The Process of Cultural Evolution*, Norton Press, 1975, and Morton Fried, *The Evolution of Political Society*, Random, 1968

⁶ See Richard Lee and Irven DeVore, *Kalahari Hunter-Gatherers*, Harvard University Press, 1976. Elizabeth Marshall Thomas, *The Harmless People*, Vintage, 1959, and Roger Owen, *et al.*, *North American Indians*, London: Macmillan, 1967.

vice-royalties was a common, although illegal practice.⁷ Eventually, the logic of these static, over-centralised societies created severe social, political and economic distortions. As such, they were unable to adapt flexibly in the face of revolutionary changes in science, technology, and socio-economic organisation that swept Western Europe during the fifteenth and eighteenth centuries.

By the eighteenth century, the completion of the monetisation of global society and the rise of industrial technologies combined to produce an explosion in inter-societal trade. Globally, a process of vertical integration occurred in which 'advanced' industrial nations were able to subjugate 'developing' regions with new mechanisms of political/military/economic domination.⁸ At the same time, the skilled-labour-absorptive nature of the Western industrialisation experience (along with labour unions and state redistributive intervention) allowed the fruits of technological progress and international trade to 'trickle down' and widen the internal market within developed nations.⁹ Barter increasingly diminished as a percentage of world trade as gold, pound sterling and, more recently, the US dollar provided a suitable intermediary in the structured inequality of international arrangements. In the dynamic, rapid-change orientation of the expanding capitalist order, monetary means provided rapid information flows, flexibility and convenience as the international exchange of commodities widened.

Periodically, however, barter arrangements were resurrected when global liquidity problems implied limited capacities to maintain vital imports or service existing debt. Argentina, for example, resorted to barter extensively during the 1880s and 1890s due to financial problems surrounding the global depression of that era and the reduction of money flows available for a 'high risk', uncreditworthy nation.¹⁰ In addition, highly nationalistic and protectionistic countries, eg, the US, Germany, Japan, Canada, and Italy used barter during their formative industrialization stages in the latter part of the nineteenth century to

⁷ William Gilade, *The Latin American Economies*, American Book Press, 1969, pp 110-49. Thomas Skidmore and Peter Smith, *Modern Latin America*, 1984.

⁸ L S Stavrianos, *Global Rift: The Third World Comes of Age*, William Morrow, 1981, Introduction.

⁹ Wassily Leontief, 'The distribution of work and income', *Scientific American*, September 1982, pp 188-90; Joel Novek, 'The mechanisation of work,' *Challenge*, September-October 1984, pp 43-8.

¹⁰ L S Stavrianos, *ibid.*, p 188.

avoid gold losses and to circumvent the use of the key currency at that time—the pound sterling.¹¹

In summary, although the world increasingly moved toward monetisation and away from barter during the eighteenth and nineteenth centuries, special circumstances sometimes required the use of non-monetary trade. Specifically, barter proved functional to (1) inter-colonial or inter-commonwealth groups (much like an intra-firm transfer of a modern multinational corporation); (2) the emergent newly industrialising nations of the 1860s and 1890s in order to facilitate nationalistic, protectionistic development; and (3) the dependent less-developed nations crippled by cyclic downturns and financial insolvency.

In the aftermath of World War I, there was an attempt to revive the gold/pound-sterling monetary system of international exchange. Yet, severe socio-economic disintegration and virulent economic nationalism once more reduced participation in such multilateral arrangements. The collapse of the global economic structure and the re-militarisation of society fostered isolationistic and predatory policies that deepened the economic contraction and heightened geo-political tensions. Bilateralism, barter, and 'beggar thy neighbour' policies dominated in such an environment during the late 1920s, 1930s and early 1940s.

In Germany, where war reparations and debt repayments placed upon the Weimar Republic were severe, hyper-inflationary monetary policies and barter appeared as a short-run expedient to service debt obligations and obtain needed imports. By the 1930s Adolf Hitler's Finance Minister, Hjalmar Schacht, was utilising barter to trade for strategic raw materials (oil, bauxite, copper) with colonies, the Balkans and European trading groups.¹² In addition, the Japanese had implemented barter-type agreements within their colonial sphere of influence (Korea, Formosa) and with nations participating in the Greater East Asian Co-Prosperity Sphere (Indonesia and Indochina).¹³ Again, access to strategic raw materials was the motivating factor for the use of counter-trade by more developed nations as well as the lack of purchasing power on the part of the weaker developing areas. At the

¹¹ *ibid.*, pp 256–62

¹² Jack Kaikati, 'The reincarnation of barter trade as a marketing tool', *Journal of Marketing* (40) April 1976, p 19. Gary Banks, 'The economics and politics of counter-trade', *The World Economy* (6) June 1983, pp 181–2.

¹³ John Dizard, 'The explosion of international barter', *Fortune Magazine*, 7 February 1983, p 89

same time, European nations, the US and Japan employed comprehensive inter-governmental agreements of bilateral clearing to continue trade between themselves throughout the 1930s and 1940s.¹⁴

In the post-World War II era, a new monetary mechanism evolved based upon gold/dollar parity. Still, the functioning of this Bretton Woods accord was not complete or immediate. First, the Soviet Union and her allies were not participants in this system. Barter, thus, became a functional alternative for intra-East Bloc trade as well as for trade between East and West. Second, the post-war reconstruction of Europe and Japan required special programmes and massive assistance. In the shadows of an escalating cold war, US national security objectives mitigated the implementation of punitive, exploitative politico-economic structures in Europe and Japan. Instead, structures based upon mutual benefit arose, with counter-trade at the centre of such an undertaking.

In 1948, the Reciprocal, Standardisation, and Inter-operability (RSI) provisions of NATO utilised counter-trade to transfer technology, share production, and foster indigenous control over strategic military operations. Thus, military sales and the evolution of the military/industrial complexes of Western Europe and the United States have been linked since World War II by counter-trade.¹⁵ These relationships have fostered great homogenisation of NATO (and later Japanese) defence forces as well as insuring that the fruits of technological progress, employment, production, and managerial control over this major contributor to Gross National Product (GNP) have been distributed for the mutual benefit of all parties concerned. For example, in 1975, the Northrop Corporation counter-traded fighter jets to Switzerland in exchange for helping Swiss firms to market \$450 million in the Middle East. Northrop employed its extensive contacts in the Middle East to help Swiss elevator producers to win contracts in Egypt and to open several new markets for the Swiss in Saudi Arabia.¹⁶ And currently, the F-18 fighter aircraft is being co-produced by the McDonnell Douglas Corporation and various European countries in Europe as part of a NATO offset arrangement. For example, the Boeing Company is providing the North Atlantic Treaty Organisation

¹⁴ Dominic Salvatore, *International Economics*, McGraw Hill, pp 215-16. Gary Banks, *op cit*, p 178.

¹⁵ Ed Barber, 'The Economic Implications of Military Offsets and Co-Production Arrangements', 18 March 1980, p 7.

¹⁶ James Walsh, 'Counter-trade: not just for East-West anymore', *Journal of World Trade Law* 17(1) January/February, 1983, p 10.

(NATO) with 18 AWACS radar planes. To offset the sale to NATO, Boeing is building the planes in Europe with West German and Canadian subcontractors.¹⁷

On the non-military economic level as well, bilateral clearing arrangements were implemented to allow the re-industrialisation of Europe and Japan. These agreements fostered export growth from these nations and enhanced autonomous, sustainable development. To the present day, conditions are placed upon governments and multinational corporations wishing to invest, produce, and/or trade with these more developed nations. In particular, employment of indigenous managerial capacity, technology and production sharing, and investment restrictions are utilised by European nations, Japan and the US to insure that an equitable sharing of the benefits of international interaction occurs.¹⁸

Trade within the East European nations (COMECON) and East-West trade, on the other hand, have long been based upon barter. Estimates are that 60 per cent of intra-COMECON trade flows and 50 per cent of East-West trade is counter-trade.¹⁹ From Finnish paper, textile products and ships for Soviet oil; to the German transfer of technology and expertise to build the Trans-Siberian pipeline in exchange for Soviet gas; to Occidental Petroleum's long-term counter-trade deals for the construction of petro-chemical complexes in exchange for access to Soviet markets, oil, and a percentage of the plants' output; East-West trade has been dominated by counter-trade. The Soviet Union, as well, has been a pioneer in bartering arms for strategic resources—oil, copper, tin, etc.—with developing countries. Recent swaps of Soviet arms for Libyan and Iraqi oil exemplify this relationship.

The US government, too, beginning in the early 1950s began encouraging barter under certain conditions. From 1950–73, the US Department of Agriculture used simple barter to obtain strategic materials from abroad and to provide services needed by US government agencies overseas under a barter programme established by the Commodity Credit Corporation Act of 1949 and Section 303 of the Agricultural Trade Development and Assistance Act of 1954

¹⁷ Brad Heller, 'US firms must propose joint ventures to win a slice of huge Saudi contracts', *Wall Street Journal*, 13 April 1984, p. 31.

¹⁸ Leo G B Welt, *Counter-trade: business practices for today's World market*, American Management Association Publications, 1982, p. 11; Gary Banks, *op. cit.*, p. 160.

¹⁹ James Walsh, *op. cit.*, p. 4.

(Public Law 480). Approximately \$6.65 billion worth of agricultural commodities were bartered under this programme, which was suspended in 1973 when the Commodity Credit Corporation's stock of commodities was depleted (\$1.084 billion of agricultural commodities were exchanged for strategic materials and \$4.81 billion for foreign-produced goods and services). However, the Foreign Assistance Act of 1974 re-authorised the US government to barter foreign assistance and services for strategic materials and in 1982 President Reagan temporarily revived the barter programme to complete a dairy products-for-bauxite deal with Jamaica (total \$13 million). A second US-Jamaica barter deal was signed in November 1983, exchanging dairy products for one million tons of bauxite. In 1983, an amendment (HR 3544) to the Foreign Assistance Act of 1974 reactivated the barter of US agricultural commodity surpluses for oil and strategic materials for the national defence stockpile.²⁰

Another example of modern counter-trading has been the increased use of barter, counter-purchase, and bilateral clearing mechanisms by OPEC nations. Since the 1970s, oil for arms exchanges have been important in Eastern Bloc/OPEC trade as well as advanced developing nations' trade with OPEC (notably Brazil and Israel). In addition, certain OPEC nations (Saudi Arabia, Indonesia and Venezuela) are requiring that more-developed nations import increasing volumes of refined and manufactured goods now produced by these developing nations. Complexes producing petro-chemicals, steel, vegetable oils, phosphates, urea, etc. need markets and the OPEC nations are insisting that developed nations purchase these commodities as a part of linking overall bilateral trade, investment and production arrangements. Most recently, some OPEC nations have resorted to counter-trade as a means to subvert the cartel's own limits on production quotas. Estimates suggest that 1.0-1.5 million barrels of over-quota OPEC oil are being produced daily and counter-traded (much of it to the Soviet Union).²¹

Most recently, less developed nations have begun actively to pursue counter-trade options for international exchange. After witnessing the use of counter-trade among more developed nations, between East and West, between OPEC and the rest of the world, and participating in

²⁰ For a comprehensive discussion of the US Government barter programme, see Donna V Vogt, 'US Government International Barter', Congressional Research Report No. 83-211ENR, The Library of Congress, 1983.

²¹ Dan Morgan, 'Moscow's quest for cash hurts OPEC and East bloc,' *San José Mercury*, 24 August 1984.

strategic stockpiling arrangements, most Third World nations are turning to counter-trade as a major trading arrangement. The rapid implementation of 'conditioned' trade and the extensive application of such arrangements in all areas of production, trade, investment, and technology transfer harbour the obvious potential of significantly altering the current global arrangement. After first discussing the specific mechanisms of counter-trade, we shall ignore the incentives for implementing such a trading regime.

Defining the variants of counter-trade

By definition, the term counter-trade refers to any contractual arrangement that commits the seller of a good or service to accept in partial or full payment goods or services from the buyer. Counter-trade is, thus, a 'tied' or 'conditioned' transaction in which a firm or country is compensated partially or fully by non-monetary means. Within the context of this definition, four principal variants of counter-trade can be usefully delineated.²²

The four basic variants of counter-trade are simple barter, parallel barter, import compensation barter, and bilateral clearing arrangements.

• *Simple Barter*—A simple barter transaction is the direct exchange of goods having offsetting values, without any flow of money taking place. In addition, simple barter is a one-time transaction between two parties only, occurring over a relatively short period of time. Because simple barter is fairly inflexible, it normally is limited to government-to-government agreements. Oil, arms, food, and raw material exchanges tend to dominate these counter-trade transactions.

Examples of simple barter include a \$200 million frozen lamb-for-crude oil deal between New Zealand and Iran; a wheat/frozen veal-for-iron pellets deal between Argentina and Peru; and a \$585 million steel-making-complex-for-crude oil deal between West Germany and Indonesia.²³ OPEC countries have been leading users of simple barter since 1982 as a means to subvert the mandated oil production quotas set by the cartel. Most recently, a huge \$1 billion barter of ten Boeing 747 jetliners for Saudi Arabian oil was consummated in August 1984. (This

²² A counter-trade transaction can either involve government-to-government, company-to-government agency, or company-to-company deals.
See the OECD working party of the Trade Committee North-South Trade, 'Developing country attitudes to counter-trade', May, 1984.

accord weakened already tenuous spot oil prices and generated intense speculation as to Saudi Arabia's future commitment to OPEC quotas.) The Soviet Union has also bartered arms for oil to OPEC countries, over \$2.7 billion in 1983 alone. Much of this oil has then been sold on the open market for hard currency at prices that subvert the OPEC benchmark price. The USSR, via counter-trade, has become an import intermediary for 'over-quota' OPEC oil which is resold for hard currency on world markets.²⁴ With the exception of the OPEC nations, this form of counter-trade is the least used.

● *Parallel Barter*—Also called counter-purchase, parallel barter links the value of exports to the value of imports of unrelated goods, and generally specifies that the value of the second transaction should be a percentage of the first, commonly, but not necessarily 100 per cent. The fact that counter-purchase involves payment in 'non-resultant' products—that is, products not related to any technology or plant developed by the exporting firm—affords participants a greater range of selection and flexibility in their bilateral trade regime. In addition, money is often used in parallel barter transactions because of the lag between the off-setting deliveries of goods. These agreements are generally negotiated between a government trading firm and a private firm, or increasingly, between government-run enterprises of Third World nations (ie South-South trading arrangements).

For example, countries such as Romania, East Germany and Iran require that the Japanese import 105 per cent, 110 per cent and 150 per cent, respectively, of the value of the exports Japan sends to their economies over the course of a year. This policy ensures a bilateral balance of trade surplus and enhances hard currency inflows from the more developed nation.

An example of a counter-purchase arrangement between developing nations was the 1983 accord reached by Brazil and Mexico to counter-trade over \$2 billion in specific areas of heavy industry. In this arrangement, Brazil will supply oil, sulphur, soybeans and steel technology to Mexico for petrochemicals, oil, oil industry equipment, maize and steel mill equipment.²⁵ Indonesia, in addition to the above mentioned counter-purchase provisions, requires exporting firms (1) to market targetted products produced in Indonesia; (2) to manufacture some portion of the exported product in Indonesia; and (3) to purchase some inputs from domestic suppliers. These are known as offset barter

²⁴ Dan Morgan, *op. cit.*

²⁵ Leo G B Welt, *op. cit.*, p 61.

conditions and are gaining widespread popularity in the Third World—most notable Mexico, Brazil, Nigeria, Saudi Arabia, South Korea and India.²⁶

Offset agreements have historically been used in the aerospace and defence-related industries. Recently, General Dynamics and South Korea agreed to a \$930 million deal for 36 F-16 fighters whereby the US company contracted certain fuselage sections to Daewoo Heavy Industries, Ltd, a Korean firm.²⁷ Offsets have also enjoyed popularity in the electronics industry as well as in North–South investment and trading relations.

● *Import Compensation*—In contrast to counter-purchase, which is primarily commercial counter-trade, import compensation links the exports and imports of related products and represents a focus on industrial counter-trade. The most common variant of import compensation is the buy-back arrangement, although in recent years more complicated forms such as work contracts and develop-for-import arrangements have also become important.

A buy-back arrangement entails the sale of machinery, equipment, technology, and/or turn-key plants in exchange for repayment with the resultant output. Generally, buy-back deals involve large investments by the exporting firm and long pay back periods, usually between five and twenty years. An example is Occidental Petroleum's (and other international oil companies') multi-billion dollar agreements to develop several oil fields of the People's Republic of China (PRC). Japan also has entered into long-term contracts with the PRC for technology transfer of oil, coal and steel building projects in exchange for repayment with the resultant product.²⁸ In another example, Brazil has linked with the USSR, Saudi Arabia, and Iraq to develop a uranium enrichment facility in Somalia. Brazilian construction firms will build the plant, Soviet technology and engineers will provide the enrichment machinery, the Iraqis and Saudis will finance the operation, and the Somalis will provide the uranium deposits. Each participant will be paid in uranium output for use in their respective nuclear development

²⁶ John Wiecking, 'Counter-trade: its nature and scope', US Department of State, Bureau of Intelligence and Research, report 821-AR, 17 April 1984, pp 5–7.

²⁷ 'New restrictions on world trade', *Business Week*, 19 July 1982, p 119. 'Investment performance' is an expanding offset mechanism that Brazil, Mexico, and Canada are demanding. Under such arrangements, project approval and continuation depends upon the firm's ability to increase export levels over time.

²⁸ See Robert Dennis, 'The counter-trade factor in China's modernisation plan', *Columbia Journal of World Business*, Spring 1982, pp 67–74.

programmes—both commercial and military. The Brazilians have also linked with the USSR to build dams in Mozambique and Angola in exchange for oil.²⁹

Develop-for-import arrangements can be viewed as a form of conditioned portfolio or equity loans. An example is the provision of Japanese investment capital to develop the Gunpowder Copper mine in Australia in exchange for 23 per cent of the mine's output. Australian nationals own and operate the facility with the Japanese role being that of financier.³⁰ Similar agreements have been reached with Exxon Corporation and the Colombian government to develop the \$3 billion El Cerrejon Norte coal field, the largest coal field in the world. In this case, aspects of buy-back and develop-for-import arrangements are also being utilised.³¹ In an additional example, Japan supplied investment capital to Brazil for the construction of an alumina-aluminium complex on the condition that Brazil repay Japan with 50 per cent of the output.³² In each of the import compensation variants, it is instructive to note that capital formation, both human and physical, is being exchanged for a commodity output. Thus, an important long-run strategy for the acquisition of particular technologies and skills by developing nations is set in motion. Historically, this has been the key counter-trade technique of East-West trade. Recently, however, many Third World nations have implemented this trading device in order to stimulate capital formation.

• *Bilateral Clearing*—This form of counter-trade is based upon government-to-government trade agreements to insure bilateral balance in the international accounts. This balance assures that no net drain of foreign exchange will occur between the signatory parties. In the past, such trade imbalances have seriously weakened attempts by developing nations to promote regional economic integration. The wide gaps between surplus and deficit nations have been at the root of tensions within the Central American Common Market, the Andean Bloc, the Association of Southeast Asian Nations (ASEAN), and the break-up of several African regional groups. ASEAN nations are currently practising bilateral balance within that group and increasingly requiring similar agreements with external trading nations. This form of

²⁹ *Latin America Reports Brazil*, 4 January 1985, p 4.

³⁰ Louis Nameth, 'Offsets under fire down under', *Multinational Monitor* 5 (6) June 1984, p 3.

³¹ See Harvey Kline, 'Colombia's debate about coal, Exxon themselves', *Inter-American Economic Affairs* 36(4) Spring 1983, pp 3-28.

³² James Walsh, *op. cit.*, p 7

counter-trade is thought to have the potential of regenerating regional economic cooperation and fostering greater South-South trade.

In the event that trade imbalances result at the end of the bilateral clearing agreement, credits can be used as purchasing power (eg, Brazil and East Germany have established such an arrangement)³³ or surplus commodities can be sold to 'switch' traders at a discount, who then market the goods internationally. One example of switch trading was Malaysia's agreement to take payment in cocoa from Mexico in exchange for Malaysian rubber. The cocoa was then sold, for US dollars, to US confectionery makers.³⁴

Also, government-to-government 'swaps' of materials that have high transport costs or are highly perishable are an increasingly important form of bilateral clearing. Australia and Mexico agreed to counter-trade lamb for oil. US companies and China also linked to trade lamb/beef for oil. To cut transport costs, the US firms shipped lamb to Mexico for oil, and Australia shipped lamb to the PRC for oil. A second example is that of the USSR supplying customers for Mexico's oil in the Middle East while Mexico sells oil to Cuba, a Soviet customer. A similar 'swap' has been utilised by Venezuela, West Germany, Cuba and the USSR. In 1983, Soviet oil for Cuba was diverted to West Germany and Venezuelan oil for West Germany was diverted to Cuba.³⁵

The scope of counter-trade

Estimations vary enormously concerning the true magnitude of counter-trade. The reasons for such diverse data projections are numerous. In the first place, counter-trade transactions are not specifically tabulated in standard national accounts data. In the second place, most nations are reluctant to acknowledge counter-trade activity for obvious political reasons, especially as the US, IMF, IBRD, and GATT have openly opposed mandated counter-trade. Third, most multinational corporations are hesitant to divulge counter-trade activity so as to preserve client anonymity. And fourth, most estimates are based on rumours of 'proposed' transactions rather than actual deals. Since many specialists feel that a 10-1 ratio exists between counter-

³³ John Dizard, *op. cit.*, p 95.

³⁴ 'Special report: going under the counter', *Far Eastern Economic Review* 27 January 1983, p 51.

³⁵ Thomas McVey, 'Countertrade and barter: alternative trade financing by Third World nations', *International Trade Law Journal*, Spring/Summer 1981, p 7. Also G B Souza, 'Counter-trade and barter in Venezuela', *Countertrade and Barter Quarterly* (4) Winter 1984, p 16.

trade proposals and consummated deals, estimates that counter-trade represents 50 per cent of world trade are highly exaggerated.

Still there are ranges of plausible estimations. Probably the most conservative plausible estimate has counter-trade (excluding bilateral clearing) at 6 per cent of the total \$2.5 trillion world trade—or around \$150 billion.³⁶ Gary Banks, an economist with the Secretariat of GATT, has argued that for counter-trade to be 25 per cent of total world trade, all of world trade outside the OECD would have to be counter-trade (LCDs 16 per cent, Eastern Europe 9 per cent and OPEC 8 per cent).³⁷ Yet, counter-trade is only 50 per cent of East European trade and much less for other countries. At the upper range of the plausible are Business International and Gary Hufbauer, an economist at the Institute of International Economics, who have suggested that 12–15 per cent of world trade occurs within some form of counter-trade relationship. *The Economist* (London) has recently published a survey on counter-trade which estimates 20 per cent of world trade is now under this trading pattern.³⁸

Approximately one hundred nations in the world (both North and South) currently require some form of counter-trade provision, and numerous others are considering its adoption. Roughly half of East-West trade is counter-trade. Over half of the Fortune 500 companies now have separate counter-trade divisions and most of the rest are examining the potential for creating in-house capacity.³⁹ So, while the exact magnitude of counter-trade may be uncertain, there is no doubt that the growth of counter-trade has been explosive and that the trend toward counter-trade is clearly increasing.

This fact is significant in that during a time period of overall world contraction of trade (1980–83), counter-trade has increased dramatically. Recent interviews with representatives of major MNCs, the American Counter-Trade and Export Association, and the US Departments of Commerce and Treasury, suggest that the rapid growth

³⁶ David Yoffie, 'Barter: looking beyond the short-term payoffs and long-term threat', *International Management*, August 1984, p. 36.

³⁷ Gary Banks, *op. cit.*, p. 177.

³⁸ 'Why LDC's want—or think they want—countertrade', *Business International* 31 (35) 31 August 1984, p. 274. Estimations from Gary Hufbauer and *The Economist* were obtained from interview with William Rouse.

³⁹ 'Counter-trade phenomenon is spreading globally in scope and intensity', *Business International* 30 (51) 23 December 1983, p. 354.

of counter-trade has not yet abated—in spite of a rebound in world growth and trade during 1984–85.⁴⁰

One explanation for the competitive vigour of counter-trade has been the dramatic fall in the transaction costs of such arrangements. The computer has played a key role in linking buyers and sellers with counter-trade around the world. In Brussels, a counter-trade clearing house was established in 1983 in order to facilitate the global networking of counter-trade activity. Also, informal computerised barter exchanges exist in Paris and Vienna, and the American Counter-Trade and Export Association is in the process of establishing a US exchange in Cleveland, Ohio. Governments are also becoming involved. For example, the Swedish government recently purchased an 8 per cent share in Sukab, a counter-trade organisation formed in 1940 by major Swedish exporters. The French government has sponsored the formation of a counter-trade advisory organisation, ACECO (Association pour la Compensation des Echanges Commerciaux), and in Miami, Florida, the state legislature has authorised the establishment of an 'international barter exchange centre'.⁴¹

Governments, multinational corporations, and counter-trade specialists now are able to quickly and efficiently market products in a centralised setting. As a result, discounting on counter-trade products has fallen markedly. In the late 1970s and early 1980s, discount rates of 25 per cent–40 per cent were not uncommon in counter-trade agreements. By 1984, discount margins had dropped to 3 per cent–7 per cent with many specialists stating that rates will continue to fall as counter-trade expands and computerisation continues. Discounts, also, will vary according to the ease of disposal of the goods. Generally, raw materials carry the lowest rates of discount (under 5 per cent) while hard-to-market manufactured goods carry the highest discounts.⁴²

The formation of the South Bank will also provide developing nations with the opportunity to expand counter-trade. Facilitating counter-trade will be a major goal of this new Third World financial agency.⁴³ US policy has also facilitated the use of counter-trade in business

⁴⁰ Based upon interviews conducted by William Rouse in Cleveland, New York, and Washington in August/September 1984.

⁴¹ The Florida centre, authorised by an Act of the Florida legislature in June, would be the first international barter exchange centre. The centre will be governed by a 15-member board of directors, appointed by the State of Governor and legislative leaders. It will have a trading floor similar to that of the New York Stock Exchange or Lloyds of London.

⁴² Leo G B Welt, *op. cit.*, p 17.

⁴³ 'A helping hand for South-South trade'. *South* (London) March 1984, p 64.

transactions. In 1982, the US Export Trading Company Act allowed US banks to enter into trading relationships worldwide. This legislation was primarily intended to counter Japanese trading companies and to promote US exports. However, the ETCs will also enable US traders to engage in the growing counter-trade nexus. Similarly, the East European nations have begun to integrate their financing, trading, and production sectors into a single organisation, 'combinats', that will enable more competitive trade and counter-trade relations. Thus, on many levels, counter-trade 'infrastructure' is rapidly evolving to support the expansion of 'conditioned' trade.

The key countries who counter-trade outside the Eastern European nations are Indonesia, Iran, Brazil, Colombia, Mexico, the PRC, Canada, and Australia.

Each of these nations has well-defined programmes for counter-trade as part of their overall development plan and each has openly stated their goals of expanding this method of international interaction. We now explore the reasons for its ascendance and its implications for global relations.

Incentives to counter-trade

'Intensive economic nationalism marked the decade. Exports were curtailed. All the weapons of commercial warfare were brought into play; currencies were devalued, exports were subsidised, tariffs raised, exchanges controlled, quotas imposed and discrimination practiced through preferential systems and *barter deals* (emphasis added). Each nation sought to sell much and buy little. A vicious spiral of restrictionism produced a further deterioration in world trade.'⁴⁴

Written in 1949 to describe the global trading environment of the 1930s, the striking similarities to the 1980s suggest longer term processes in our global economy. These periodic cycles of boom and bust, the so-called Kondratiev-Schumpeterian long waves, have historically been closely associated with intensified utilisation of counter-trade as a mechanism of international exchange. While leaving the important discussion of 'long wave' dynamics aside,⁴⁵ it is necessary to stress the increased importance of counter-trade as a method of *circumventing* (at least over the short term) the down cycles of global economic activity. In addition,

⁴⁴ William Rouse, 'Counter-trade,' unpublished paper, Spring 1984.

⁴⁵ Many modern scholars (Jay Forrester and David Gordon among others) have offered various explanations for the empirical fact of forty to fifty year boom/bust cycles.

counter-trade and other protectionist, neo-mercantilist devices were historically important in *exacerbating* (in the long run) the economic stagnation that accompanied periodic depressions in the international system.

The global stagnation of the late 1970s and 1980s provides yet another crucible in which to evaluate the impact of counter-trade as a trading device. Again, as in other cycles of economic contraction, the short-term benefits of administered trade have been significant. While the longer term benefits/costs are yet to be determined, there are some indications that qualitative changes in technology and global geopolitics may render past experiences with counter-trade inappropriate as guides to future impacts.

Short-run exigencies

The proximate cause of the emergence of counter-trade in the trading regimes of developing nations has been the debt crisis.⁴⁶ The resultant lack of liquidity (ie US dollars) available to developing nations fostered the need for creative alternatives to maintain required imports and to promote exports.⁴⁷ Counter-trade provides such a mechanism for Third World nations to accomplish several short-term objectives: hard currency is conserved; required imports of machinery, food and pharmaceuticals can be maintained; traditional and new exports can be promoted; and growth can be stimulated/maintained in the export sector as well as the import substitution industrial sector.

By counter-trading surplus raw materials for needed imports, nations

⁴⁶ The debt crisis itself is a manifestation of the breakdown of the over-centralised, hierarchical, and elitist growth models pursued by policymakers in past decades. Whether North or South, East or West, strategies of import substitution, capital/petro-chemical intensive industrialisation, state enterprises, export enclaves, and oligopolistic conglomeration have fostered protectionism, gross inefficiencies, heightened inequalities, the demise of participatory democracy, and non-sustainable growth and development. The seeds of a viable society lie germinating at this moment. Whether a new generation of thinkers and policymakers will activate this potential capacity will be the primary debate for the remainder of this century.

⁴⁷ The accumulated and growing debt of the Third World, estimated at \$850 billion today, and the current strength of the US dollar in which most of these nation's debt is denominated, has encouraged the growth of counter-trade practices. In addition, the reduction of trade finance to less developed nations has forced them to consider counter-trading practices. According to the Bank for International Settlements, bank lending to developing countries increased by only \$4.7 billion from the end of 1982 to the end of 1983, compared with a growth of \$17 billion for the first half of 1982. Also, banks and Western exporters continue to limit trade finance and export activities in these countries to transactions involving minimum risk. And for specific nations, net capital outflows have been recorded from 1982-4. In addition, the IMF recently (January 1985) announced that lending to developing nations dropped from \$13.3 billion in 1983 to \$7.5 billion in 1984. The liquidity crunch is very real for developing nations.

can benefit in the short run by (1) conserving hard currency that otherwise would have been spent on importables; and (2) indirectly providing a price support for those primary export products. Hard currency can then be used to repay interest on loans, the balance of trade position appears more favourable, and the value of its exports which earn hard currency can be preserved (at least in the short run. In the longer run, however, if many nations engage in such a practice, prices will eventually fall for all).

Generally, Third World nations sell commodities for which they have a comparative advantage and/or established markets for hard currency generation. Counter-trade, as a rule, is utilised to market new products for which (1) no market channels exist; (2) protectionistic barriers exist; and/or (3) inferior quality prohibits sales in more developed nations. Thus, manufactured products produced by an 'infant industry' can enter the world market while enjoying continued tariff protection as well as the marketing skills of multinational corporations.

Increasingly, hard currency products will be counter-traded (1) to other cash-strapped nations (ie, several deals of Mexican and Venezuelan oil for Central American coffee, bananas, and cattle); (2) in conditions of excess supply (as now confront the markets for oil, copper and tin); or (3) where import compensation schemes allow the transfer of high technology, turn-key plants, and/or managerial concessions for resources (as exemplified by the oil, coal, and copper deals between China and Japan).

In essence, counter-trade allows a country facing severe problems of illiquidity, due to reductions in multilateral and commercial bank lending, falling prices for its export commodities, devaluations, and net capital outflows, to maintain existing economic strategies for growth and to avoid extreme deflationary prescriptions for adjustment in the short run. In the absence of counter-trade, large debtor nations such as Mexico, Brazil, and the Philippines would virtually have to use all of their export earnings to service their debts.⁴⁸ Thus, as a short-run expedient, counter-trade has been successfully implemented to avoid the deleterious side-effects of periodic global contraction.

Medium-term incentives

Since the early 1970s, dramatic changes in the international economic system have required Third World nations to adjust domestic policies to

⁴⁸ David Yoffie, *op. cit.*, p. 36.

accommodate global market pressures. Over the course of the past fifteen years, unprecedented 'liberalisation', de-regulation, and global integration have simultaneously appeared on the world economic scene. The shift to a floating exchange rate world with the value of currencies determined by global decisionmakers marked the watershed point for this era of change. Financial de-regulation, floating interest rates, and the privatisation of lending followed in short order. As international production expanded, the de-oligopolisation of commodity markets (oil, copper, tin, rubber, etc) and of manufactured production intensified the volatility of international prices for traded goods.

For Third World nations, these changes culminated in growing debt imbalances, declining terms of trade, and stagnating growth. As import substitution industrialisation steadily lost its capacity to generate growth and the international lending community lost its enthusiasm to finance and invest in development projects, Third World nations increasingly were forced to turn to the International Monetary Fund (IMF) for liquidity needs. Yet, the IMF 'conditions' implied internal 'liberalisation', 'de-regulation', and increased integration into the volatile international financial/investment system. And history has shown that for those who attempted to follow this radical neo-conservative stabilisation orthodoxy in the late 1960s and 1970s (ie. Brazil, Argentina, Chile, Uruguay), the results have been equally disastrous.⁴⁹ Countries which re-exposed themselves to monocultural export dependence experienced the stultifying effects of industrial involution.

Thus, counter-trade provides a means to overcome the limitations of economic models of the past. At the same time, counter-trade offers dynamic advantages for the future development of Third World economies. In the medium term, counter-trade promotes several important gains that will enable Third World nations to obtain a larger role in decisionmaking and control over economic processes. Counter-trade fosters stability in industrial planning, terms of trade support, diversified trade relations, a new 'partnership' with multinational corporations, bilateral balance, and disguised austerity programmes.

Because of the volatile nature of demand patterns for Third World exports, many nations view counter-trade as a method of stabilising

⁴⁹ See Alejandro Foxley, *Modern Experiments in Neo-Conservative Economics*, University of California, 1983.

their export revenue profile. With counter-trade, known exports can be paired to desired imports which facilitates the planning of industrial and agricultural development strategies. In this way, periodic external imbalances and the associated IMF-mandated economic contraction can be avoided. With access to new loans declining, the hard choice for government planners is (1) whether to deflate under an IMF austerity programme and hope for international 'trickle down' to regenerate growth; or (2) implement counter-trade policies immediately in order to return to a growth trajectory. Counter-purchase and compensation arrangements are a primary method of stabilising the fluctuating demand for Third World raw materials so that effective long-term planning can proceed. As a result, most less developed nations now counter-trade on a sectoral basis (ie automobiles, oil, railways) to foster overall planning.⁵⁰

In addition, these counter-trade techniques can act as a price support mechanism, thus, maintaining the terms of trade over a longer period of time. In comparison to the volatile nature of international market pricing regimes, counter-trade can reduce the destabilising swings in the relative values of imported to exported goods. Counter-trade is perceived by Third World planners as a key means to stabilise export revenues and import costs where, in the past, attempts to implement such arrangements through cartels have largely been unsuccessful. For example, the ASEAN nations have asked Japan, the EEC, and the US to counter-trade as a means to hold up the real purchasing power of their major exports.

Liquidity and terms of trade are not the only motivating factors that encourage linkage. Many countries (including South Korea, Indonesia, Malaysia, Saudi Arabia, China, Australia and Canada) insist upon counter-trade in spite of solid foreign reserve holdings. For these industrialising nations, linking trade flows is a major tool by which diversification of trading partners and the exertion of national sovereignty over multinational corporations can be achieved. Through diversification, the risks of geo-political chaos can be reduced. Important South-South trading patterns can be cultivated as well. In addition, greater outlets for exportable goods and increased sources for importable goods create a more competitive market, which tends to increase export earnings and to reduce import costs. Counter-trade enables Third World nations to increase the flow of technology, foster

⁵⁰ John Wicking, *op. cit.*, p 7.

new market penetration, new product development, and demand the acquisition of marketing skills by requiring such linkage from multinational corporations. Nationalist governments with a large market potential and/or resource wealth have been able to win such concessions and require that new investments produce larger corresponding export sales. Multinational corporations can also be enlisted to overcome more developed nation protectionism by marketing Third World goods.

Third World planners have sought to eliminate balance-of-payments crises by bilaterally balancing their international accounts. Many industrial and trade activities in Third World nations are nationalised and conducive to counter-trade. Thus, bilateral clearing arrangements between governments and between state trading enterprises have become widespread over the past five years. In addition, *investment performance* conditions placed upon private investors (as in the case of Mexico and Brazil) have insured a favourable balance on these transactions as well. Under investment performance, foreign producers are required to increase their export growth over time to continue to qualify for favourable tax and tariff treatment.

Bilateral balance can also reduce net currency outflows that accompany balance-of-trade deficits. Malaysia recently diversified its imports of rice by increasing imports from Burma (with whom Malaysia runs a balance-of-trade surplus) and reducing rice imports from Thailand (with whom Malaysia runs a balance-of-trade deficit). By means of counter-trade, bilateral balance and diversification of trading relationships were obtained. Colombia also is utilising counter-trade to maintain a positive trade balance. In April 1984 the Colombian Institute of Foreign Trade (INCOMEX) prohibited and/or severely restricted the importation of more than 2,000 products, and set aside thirty-three product categories for counter-trade in order to improve its current account situation. In addition, the counter-traded goods must be above and beyond Colombia's normal export levels.

Interestingly, counter-trade can be utilised as a disguised imposition of an economic austerity programme—without overtly resorting to discriminatory tariff barriers. Third World nations that want to cut imports (and the standard of living) can impose stringent counter-trade regulations and then blame foreign corporations for the lack of imported goods.⁵¹ Protection is, thus, afforded to domestic producers

⁵¹ David Yoffie, *op. cit.*, p. 36.

without subverting the present guidelines of the General Agreement on Tariffs and Trade (GATT). Also, counter-trade can be employed as an alternative to an explicit export subsidy, devaluation, or cartel pricing guidelines. By accepting higher prices for imported goods for the same amount of exported commodities, counter-trade becomes a form of discounting that again is not within the coverage of the existing GATT framework.⁵²

Finally, counter-trade can actually result in greater control over the international debt imbalance since banks will not provide trade financing for counter-purchase deals unless both contracts are backed by readily available goods. Thus, a balancing check against the borrowing excesses of the past is conveniently performed by the counter-trading mechanism. Also, since many counter-trade deals are long-term in nature, one of the participants is implicitly receiving an advance loan. Counter-trade, thus, can bridge the liquidity problem from the financing side as well (East Germany, for example, owes Brazil [of all countries] over \$1 billion in clearing account units that are due in two years, effectively giving the East Germans an interest-free loan.)

Over the medium term, counter-trade is perceived to be highly advantageous by Third World nations. Development planning is enhanced, the distribution of benefits in international interaction is improved, balance of payment distortions are avoided, and goals of economic sovereignty are achieved. In a world of illiquidity, structural transformation, and crisis, counter-trade can provide a stable development option for Third World planners.⁵³

⁵² For this reason, the Reagan Administration has called for a new 'Round' of GATT talks to focus upon mechanisms to control counter-trade and to force Third World nations to liberalise their control of service sector items (ie, computers, banking, insurance, internal shipping/transport, utilities). Obviously, nationalist less-developed nations have not greeted the prospects of the 'Reagan Round' with enthusiasm.

⁵³ From the authors' viewpoint, only a massive infusion of new liquidity into the international system could slow the rapid spread of counter-trade. Without the rapid availability of credits to revive growth in less developed nations, the political, social, and economic costs of long-term IMF deflation will not be tolerable. The options are for:

- 1) US dollar expansion
- 2) Japanese Yen expansion
- 3) British Pound Sterling expansion
- 4) German DeutschMark expansion
- 5) SDR expansion
- 6) other multilateral agency expansions
- 7) private commercial bank expansion
- 8) direct foreign investment expansion.

The governments of the top four alternatives are monetarist in orientation and have historical

Advantages for the North

Although the primary focus of our discussion has centred upon the beneficial incentives that counter-trade offers to Third World nations, it would be incomplete to ignore the important incentives that have induced more developed nations and their multinational corporations to enter the 'linkage' game. While many researchers critical of counter-trade have stressed the long-run 'zero sum' nature of bilateral trade regimes,⁵⁴ powerful incentives, both positive and negative, have compelled decisionmakers to enter the 'only game in town'.

More developed countries have not been immune to the growing instability of global market forces that have characterised the past fifteen years. In particular, the Japanese, Canadians, and Europeans began to implement policies in the late 1960s and early 1970s that would reduce their heavy dependence upon strategic raw materials imported from the US. Global diversification of sources for raw materials (oil, coal, copper, soybeans, rubber, tin, etc.), sources to market manufactured goods, sites for offshore production, and sources for international investment have been an important component of these developed nations' economic policies. The Third World has been the central recipient of these diversification strategies. Clearly, economic self-interest as well as national security issues have combined to foster policies that would lead to reduced exposure to the geo-political vagaries of any particular nation. Counter-trade has been received with greater enthusiasm by Japanese, European and Canadian governments and corporations as it is perceived to be a mechanism to improve long-term flexibility and economic sovereignty.

For example, the Japanese have been the most willing nation to accept counter-trade concessions in order to diversify their heavy

fears of runaway inflation to temper their enthusiasm for such re-inflation. The major industrial governments recently nixed a proposal to increase by \$15 billion the present allocation of SDRs. In addition, the 'Big Four' have proposed and supported real cuts in financing for several multilateral agencies. And finally, the evidence from many sources, including the Bank for International Settlements, has amply documented the major reductions in net lending that is available to Third World nations from the commercial banking sector. Direct foreign investment has been lagging as well.

The prognosis on *all* of the available options for increased liquidity for less developed nations for the rest of the decade is not encouraging. As such, counter-trade truly is the 'only game in town'.

⁵⁴ See in particular the objections made by Gary Banks (GATT Economist), Ed Barber (Treasury Department Economist), James Walsh (Commerce Department Economist) and Carmen Suro-Bredie (Office of US Trade Representative). These researchers have mainly utilised the neo-classical economic framework to analyse the pros and cons of counter-trade

dependence on imported oil. Nigeria, Indonesia, Peru, Ecuador, Mexico, Iran, Iraq and Saudi Arabia, among others, have established formal counter-trading relationships to exchange oil for manufactured goods. Similarly, the Japanese engage in extensive compensation, buy-back and technology transfer agreements with China (coal, oil, bauxite, copper), Australia (copper, uranium, coal), Chile (copper), Brazil (soybeans, aluminium, bauxite, iron ore), the USSR (timber, oil), Indonesia (oil), etc.

The resource-dependent Europeans, too, have been willing to grant counter-trade concessions in exchange for long-term stability in supply and access to internal markets. The West Germans have linked with the PRC for oil, numerous Middle Eastern nations for oil, and Brazil for copper, bauxite, and uranium. The French have been active counter-traders in Africa and the Middle East, again for long-term supplies of raw materials. The British, while less active, have also engaged in counter-trade in India, China, and Africa.

The specific positive inducements to counter-trade afforded to more developed nations are numerous. They include diversified raw material supplies, diversified market sourcing, access to new markets, expansion of existing markets, a means to unblock frozen profits/dividends, tax and tariff dodges, and 'good faith' gestures by image-conscious multinationals.

Since counter-trade is the 'only game in town', reticent corporate managers risk losing existing markets in the Third World as well as potential markets if they choose not to counter-trade. This negative incentive can be extremely powerful for corporations that must show solid growth performance in a quarter-to-quarter evaluation system. For example, Spain's ENESA was able to win a contract to supply buses for Colombia because they included a counter-trade provision to buy Colombian coffee. ENESA had not been the lowest bidder but had offered the most favourable counter-trade package. Another example involves a US corporation. General Electric lost an important contract for the sale of CAT scanners to Austrian hospitals when Germany's Siemens agreed to increase production of electrical goods at a plant it operates in Austria. Although General Electric had been the lowest bidder, Siemens was able to offset the purchase of its scanners with additional Austrian employment and thus won the contract.⁵⁵

⁵⁵ Stephen Cohen and John Zysman, 'The mercantilist challenge to the liberal international trade order,' Report presented to the 97th Congress, 2nd Session, Joint Economic Committee, 29 December 1982.

Many multinationals have also viewed counter-trade as a means to free profits and dividends locked inside financially troubled developing nations. By counter-trading for goods at 'artificial' intra-firm prices, commodities can be exported from the troubled nation, sold on the international market, and repatriated to the home country for use. Many multinational banks have utilised this method to obtain delinquent interest and principal payments from cash-poor less-developed nations. An additional advantage that can be used by multinational corporations and private domestic companies is the technique of under-valuing counter-traded commodities to reduce exposure to the tax and tariff laws of Third World nations.⁵⁶

Finally, some Western companies will employ counter-trade as a 'good faith' exercise in order to win long-term sales contracts. By establishing themselves as reliable trading partners, multinationals hope to maintain market links and to create new 'favoured' arrangements in the future.

Recently, more developed nations have themselves begun active counter-trading (as opposed to the reluctant passive counter-trade outlined above). Counter-trade can reduce the costs of expensive capital development incurred by multinational corporations. By moving into the downstream linkages of marketing, information processing, and management, costs and risks can be shifted toward developing nations while more profitable activities can be performed by the multinationals. Other governments have sought to actively pursue 'linked' raw material or manufacturing production. France requires buybacks on metal processing equipment sales financed by government credits. Recently, an aluminum refinery was built in India by France whereby France will be repaid in 50 per cent of the annual output.

For the US, the traditional rhetoric for 'free-trade' has inhibited a strong shift toward counter-trade. Still, in strategic metals, grains, and aerospace, the US has been willing to participate in barter arrangements. While officially opposed to counter-trade, the US Export Trading Company Act of 1982 will facilitate US multinational corporation involvement in 'linked' trade.

As more developed governments and multinational corporations increasingly join the counter-trade system, the long-run dynamics of the mechanism will further integrate the global economy and fundamentally alter the existing status quo between the North and the South.

⁵⁶ Leo G B Welt, *op. cit.*, p 11; and *Business International*.

**The long-term benefits of counter-trade:
economic sovereignty and the NIEO**

Counter-trade represents a substantial and growing departure from the principles of multilateral and largely monetised trade of the post-World War II years. . . . By compelling more developed countries to accept part payment in commodities and to take back additional exports, primary producers are circumventing the international pricing mechanism and achieving what decades of negotiations on international commodity agreements and cartels have failed to achieve.⁵⁷

It is in the longer term that counter-trade offers the most enduring changes for the global system. The maturation of political nationalism and the emergence of struggles for economic self-determination have coincided with the present economic crisis and the transformation of the global economy. For Third World nations, the doctrine of national sovereignty over natural resources along with the emergence of the state as an active participant in economic development have provided the conditions whereby changes in the structures of inter-societal interaction can be made. Having direct experience with the long history of 'managed/administered' trade and having participated in such arrangements, Third World nations are now in a position to utilise this mechanism to alter the terms of trade, distribution of benefits, technology transfers, and flows of resources on a global basis.

Counter-trade, as initially an adaptation to profound economic crisis, has evolved into a strategy by which Third World nations can create a *de facto* NIEO. Many of the stated goals of the NIEO (ie increased technology transfer, improved terms of trade, a new 'partnership' with multinational corporations, greater access to more-developed nation markets, more favourable resource flows from North to South, and enhanced self-reliance in food, energy and defence) are accomplished via counter-trade without a formal multilateral declaration of such a radical restructuring. Over the longer term, counter-trade provides the potential whereby global institutional structures can be reshaped to foster a mutual 'dependence' built upon respect, benefit, and cooperation.

For developed nations as well, counter-trade can be a useful long-term mechanism by which greater economic autonomy can be obtained. For the resource-dependent nations of Europe and Japan, diversified input supply and market sourcing enhances their national

⁵⁷ 'Special report: going under the counter', *op. cit.*, pp 49-56.

security and promotes expanded influence within the Third World. By overtly linking their long-run economic destinies with developing nations, cooperative relationships are created that spill over into social, political, and strategic security areas to the benefit of both parties.

It is important to stress that the maturation of Third World nationalism and the enhanced capacity of decisionmakers effectively to debate complex economic issues will intensify the use of counter-trade as a long-term tool for restructuring the global economy. Developing countries have a clear understanding of the inner-working of the global economic system and of the dynamic areas within which they want to participate. As such, the leverage of cheap labour, abundant natural resources, and rapidly growing markets will be linked to the redirection of rewards, information access, and technology flows in international interchange. Having experienced the distorting effects of past development models (ie from classical comparative advantage, to import substitution, to state planning, to debt-led growth), nationalist Third World nations are attempting a new strategy. Counter-trade reflects the accumulated wisdom of past experiences as well as a sense of newly obtained economic power that many nationalist developing nations are able to wield in determining the next economic 'order'.⁵⁸

Thus, the long-run incentives to counter-trade are a combination of political and economic factors. For Third World nations and advanced industrial nations, long-run political and economic sovereignty are the motivating bases for the rapid adoption of counter-trade.

Conclusions: policy response

Counter-trade is a mechanism that will fundamentally transform international economic relations. For Third World nations, the widespread adoption of 'linked' resource flows represents a new model which potentially can lead to a mutually dependent world community based upon the principles of mutual trust, respect, benefit, and cooperation. Counter-trade as a development model is reshaping inter-societal relations and will widen the range of human resource potential available to the world society.

Yet, nationalist Third World decisionmakers must also recognise that external 'linkage' is a necessary (but not a sufficient) requirement for achieving sustainable, equitable growth. The logic of counter-trade

⁵⁸ It is important to note that many resource-poor and market-poor developing nations may *not* be able to benefit from the growing counter-trade alternative. Poorer nations with weak negotiating positions could find themselves by-passed by the 'only game in town'

must also begin to be implemented internally within Third World nations if the gains from international restructuring are to be effectively absorbed. Self-reliance, participation, control over resources, and the mutuality of trust, benefits, and respect must simultaneously be cultivated among the population of developing nations. Counter-trade, if it endures, will require a radical transformation of relationships in both the external and internal institutional arrangements of economic, political, and social interaction.

For decisionmakers from more developed nations, counter-trade must be recognised as a culmination of a lengthy historical process whereby the forces of political and economic liberation/sovereignty in the Third World have come of age. Attempts to ignore, subvert, or roll back this inexorable process will only engender hostility and exclusion from the most dynamic growth regions on the planet. Policymakers must take the broader view of planetary realism—that economically, ecologically, and politically our destiny as a human species is tightly interwoven. In so doing, counter-trade can be a mechanism by which advanced industrial nations can begin a shift toward fair trade and, thus, avoid the encroaching reality of predatory competition, protectionism, and global economic stagnation.

Over the coming decade, developing nations will continue to employ counter-trade techniques to develop their export capacities in resources, manufactured goods, and high technology products. Already the US and the EEC have been adversely affected by the influx of foreign cars, steel, electronics goods, etc. But this is merely the tip of the iceberg. Over the rest of this decade a veritable tidal wave of high technology goods, petro-chemical products, agricultural products and raw materials will increase the pressure on US and EEC producers. For these developed nations the difficult choice will be whether to impose greater protectionism as a short-term expedient or to begin playing the 'conditioned' trade game in a concerted, coherent manner. Viewed dynamically, counter-trade offers a transition model toward the return of institutions which promote the positive capacities of a healthy, sustainable society—mutual trust, mutual respect, mutual benefits, mutual cooperation, and mutually reciprocal obligations. After some 5,000 years, the species may have come full circle.

The Franc Zone, underdevelopment and dependency in Francophone Africa

The Franc Zone (FZ) is a monetary cooperation arrangement that was set up between France and her former colonies in West and Central Africa following the latter's independence in the early 1960s. While this system is central to an understanding of these African countries' dependence on France, it has been the object of surprisingly few genuinely scientific studies. The mainstream literature on the subject consists mainly in dithyrambic apologies for the FZ system expounding on the many assumed advantages and virtues of that system which is seen as essentially beneficial to all its member states.¹ Recently, a number of young, radical (mostly African) scholars have boldly challenged the establishment's conventional wisdom on the subject through some perceptive, original and well-documented studies.² The present study clearly identifies with the latter trend. It is an attempt to take a fresh look at the facts through the prism of dependency theory. The purpose of the study is to analyse the origin, structure and functioning of the FZ system and to assess its legal, political and economic consequences for the African member-states. The evidence suggests that contrary to the prevailing view, the FZ, far from contributing to the economic development and independence of its

¹ The following constitute a representative sample of this literature: J Alibert, 'La zone franc: intelligence et réalisme', *Afrique contemporaine* (126) April 1983, pp 3-13; J Bourdin, *Monnaie et politique monétaire dans les pays africains de la zone franc*, Dakar: Nouvelles Editions Africaines/NEA, 1980; and B Vinay, *Zone franc et coopération monétaire*, Paris: Ministère de la Coopération, 1980. Also related to the same approach, the study by P and S Guillaumont, *Zone franc et développement africain*, Paris: Economica, 1984, stands out as a serious, exhaustive and competent piece of research.

² Illustrative of this new approach are: A Bourgi, *La politique française de coopération en Afrique*, Paris and Dakar: Librairie Générale de Droit et de Jurisprudence (LGDJ/NEA), 1979; M Diarra, *Les états africains et la garantie monétaire de la France*, Dakar: NEA, 1972; J Tchundjang Pouémi, *Monnaie, servitude et liberté*, Paris: Editions Jeune Afrique, 1980; and K Yansané, *Contrôle de l'activité bancaire dans les pays africains de la zone franc*, Paris and Dakar: LGDJ/NEA, 1984.

African member-states, is largely instrumental in perpetuating and increasing these states' underdevelopment and dependency on France.

Approach, methodology and analytical framework

The present study belongs to the dependency school of thought which views the state of underdevelopment and dependency in the periphery as being the result of transfer and exploitation mechanisms inherent in the functioning of the world capitalist system itself.³ Although these two aspects—underdevelopment and dependency—are inseparable in the logic of the dependency theory, the latter, rather than the former, will be the focus of our analysis. Dependency of the periphery countries on the centre countries may take various forms. It can be political, economic, technological, military or cultural. This study will be essentially concerned with political and economic dependence.

What is the meaning of 'economic dependence'? Dos Santos provides a precise and exhaustive definition of this concept:

By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.⁴

African states should, on the contrary, strive to achieve a minimal degree of economic independence which, according to J Rweyemamu, implies

Control over economic decision-making and the national economy, the establishment of a firm industrial structure leading to a self-generating and self-sustaining growth, and a diversification of external economic contacts consistent with the nation's economic interests.⁵

This ideal situation is, however, far from the observable African

³ Leading exponents of this school of thought are: S Amin, *Accumulation on a World Scale*, New York: Monthly Review Press, 1974; A G Frank, *Dependent Accumulation and Underdevelopment*, London: Macmillan, 1978; and I Wallerstein, *The Capitalist World-Economy*, Cambridge: Cambridge University Press, 1979.

⁴ T Dos Santos, 'The structure of dependence' *American Economic Review* 60 (2) May 1970, p 231.

⁵ J Rweyemamu, *Underdevelopment and Industrialisation in Tanzania*, Nairobi: Oxford University Press, 1973, p 38.

reality. In general, African countries find themselves in a state of acute and persisting economic dependency *vis-à-vis* the Western capitalist countries. Financial and monetary dependency is itself one of the main elements of this economic dependency. In this respect, we tend to disagree with Amin when he says that 'the main structural characteristics of dependency and underdevelopment are not found at the monetary level'.⁶ On the contrary, we are of the opinion that financial and monetary autonomy is a crucial component of the sovereignty of Third World states. Indeed, these states rightly view the possession of a national currency as one of the essential attributes of national sovereignty, along with the flag and national anthem. In this perspective, the study of the financial and monetary dependency of African states takes on a particular significance. In the process, one should keep in mind the fact that underdevelopment and dependency are global, multidimensional phenomena calling for an integrated approach which takes into account the various aspects—trade, aid, foreign private investment and industrialisation—of economic dependence. Thus, while the present study focuses primarily on financial and monetary dependency, these other aspects should necessarily be included in a broader analysis which, obviously, cannot be conducted within the confines of this article.

Origins and institutionalisation of the Franc Zone system

The creation of the FZ dates back to the protectionist policies introduced by France in her colonial empire in the 1930s as a result of the economic recession. Similar autarchic considerations led to the strengthening of the FZ structure during World War II. As early as 1955, the FZ was characterised by a very centralised decisionmaking structure organised around four major principles: (1) free convertibility, at par, of the overseas and metropolitan currencies; (2) free movement of capital within the zone; (3) pooling of gold and foreign exchange reserves in a common Fund for Exchange Stabilisation; and (4) common rules and regulations for foreign commercial and financial transactions.⁷ These principles were, by and large, retained in the various agreements concluded between France

⁶ S Amin, 'Zone franc et développement', in S Amin, *Impérialisme et sous-développement en Afrique*, Paris: Anthropos, 1976, p 409 (author's translation from the French, as elsewhere in this article).

⁷ X de La Fourrière, *La zone franc*, Paris: Presses Universitaires de France, 1971, pp 13-14.

and her former African colonies as they successively became independent in the early 1960s.

To the extent that the devolution of political power from France to the newly sovereign African states was a peaceful process, the transition from colonialism to independence was usually smooth and did not entail a total break with the past or a radical transformation of the pre-existing economic arrangements and institutions. Thus, except for Guinea (which, on 1 March 1960, created its own currency and central bank), the other Francophone African states decided to remain within the existing monetary arrangement, subject to minor adjustments. Starting in August 1960, the Central African states concluded separately a number of cooperation agreements with France. The West African states, on their part, were engaged in similar negotiations which culminated in the conclusion, on 12 March 1962, of a formal treaty setting up a West African Monetary Union (usually referred to by its French acronym, UMOA: Union monétaire ouest-africaine).⁸ A new set of negotiations was initiated in 1972–3 as a result of which new monetary cooperation structures—constituting mere adjustments of the former arrangements—were set up. These were: (1) the monetary cooperation conventions of 22/23 November 1972 concluded between the Central African states and France, and (2) the 14 December 1973 Treaty concluded between France and the UMOA member states in West Africa.

It might be useful to view the FZ as a 'system'. According to a generally accepted definition of this concept, a system is 'a set of elements or units, which interact in some way and are set off from their environment by some kind of boundaries'.⁹ By the FZ system, we refer to a set of independent African states clustered around France. Such a system includes (1) France; (2) seven West African states member of UMOA (Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo); (3) five Central African countries regrouped within the Bank of Central

⁸ Mali, which participated in the negotiation, finally opted out of this monetary union and created its own currency and central bank on 1 July 1962. Following serious financial difficulties, the Malian government signed on 15 February 1967 an agreement with the French government which stipulated the conditions of Mali's membership of UMOA, whereupon the Malian franc was devalued by 50 per cent. Finally, the act of agreement of 17 February 1984 (effective on 1 June 1984) marks the total reintegration of Mali within UMOA. Togo, which initially remained outside UMOA, eventually joined through the act of agreement of 27 November 1963, after the assassination of President Sylvanus Olympio. On the Malian case, see D L Crum, 'Mali and the UMOA', *Journal of Modern African Studies* 22 (3) 1984, pp 469–486; and F Kouadio, 'L'intégration du Mali dans l'UMOA', *Le Mois en Afrique* 19 (221–222) 1984, pp 76–100.

⁹ R L Lieber, *Theory and World Politics*, London: George Allen and Unwin, 1973, p 121.

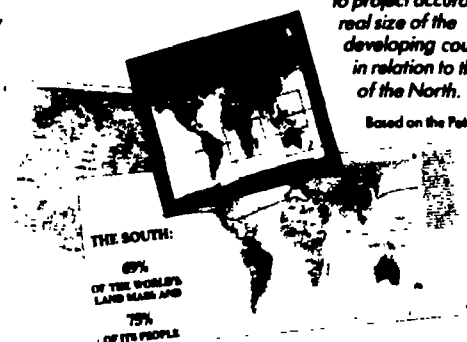


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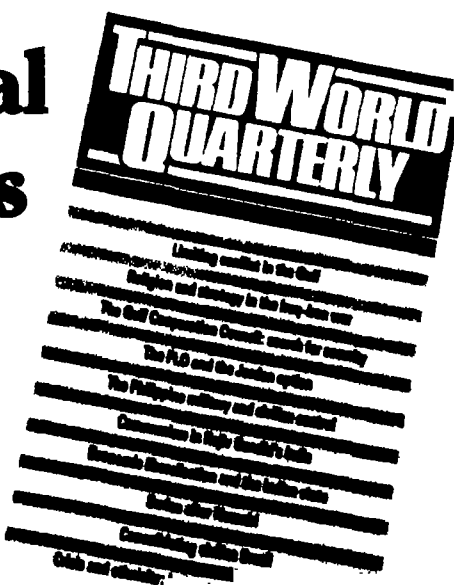
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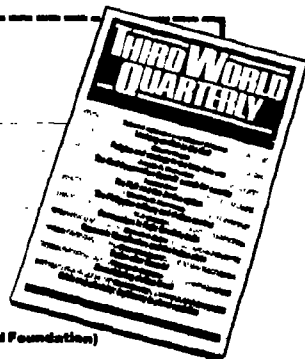


Table 1: Basic indicators for the main Franc Zone member-states, 1982

	POPULATION (thousands) (1982)	AREA (thousands of sq km)	GNP at Market prices/1982 (\$ millions)	GNP per capita 1982 (\$)	GNP per capita average annual growth (percentage) 1973-82
A. FRANCE	54,356	551	627,210	11,540	2.2
B. UMOA countries					
Benin	3,690	116	1,240	330	2.7
Burkina Faso	6,493	274	1,360	210	1.6
Ivory Coast	8,936	322	8,170	910	1.1
Mali	7,076	1,204	1,230	170	2.1
Niger	5,878	1,267	1,780	300	2.8
Senegal	6,026	197	2,950	490	-0.7
Togo	2,754	57	960	350	0.4
C. BEAC countries					
Cameroon	9,266	475	8,170	880	4.6
Central African Republic	2,408	620	740	310	-1.3
Chad	4,647	1,284	360	80	-7.7
Congo	1,712	342	2,340	1,370	-3.6
Gabon	682	267	3,300	4,840	-4.7
<i>D. Comoros</i>	368	1.8	120	340	0.0
Total (B+C+D)	59,936	6,426.8	32,720	(average) 813.85	

Sources: 1985 World Bank Atlas, pp 6-9; Comozof, *Rapport 1983*

African states (Banque des Etats de l'Afrique centrale: BEAC) (Cameroon, Central African Republic, Chad, Congo and Gabon); and (4) the Federal Islamic Republic of Comoros which became a FZ member through the monetary cooperation agreement concluded with France on 23 November 1979. We deliberately exclude various systemic units which, strictly speaking, are outside the scope of the present study. These are (1) The French overseas districts and territories and Mayotte; (2) Mauritania and Madagascar, which withdrew from the FZ in 1973 and created their own currencies and central banks; and (3) Equatorial Guinea, which legally became BEAC's sixth member state only very recently, on 2 January 1985.

Table 1, which gives some basic indicators of these countries for 1982, provides a fairly accurate picture of the degree of inequality existing between France and her thirteen African partner countries. Thus, it is striking to note that France is practically as populous as these thirteen countries (54.3 million against 59.9 million inhabitants), that her GNP is almost twenty times higher than the cumulated GNP of these countries (\$627.2 billion against \$32.7 billion); and that her GNP per capita is fourteen times higher than the average GNP per capita of these countries (\$11.540 against \$813.8). Thus, while France and her African partners are legally equal, it is quite clear that they are greatly unequal in economic terms. Such economic inequality will, of necessity, have an impact on the distribution of power and influence with the FZ system, as the following sections will clearly demonstrate.

The structure of the Franc Zone system: legal and political consequences for the African member-states

Operational principles of the Franc Zone: the 'operations account' mechanism

1. *Operational principles of the Franc Zone* The monetary cooperation system set up by the 1960-62 and 1972-73 agreements is based on the same operational principles which were already in force in the late 1950s. The FZ operates according to four basic principles: (1) fixed parity between currencies (principle of equivalency of currencies) (2) freedom of internal transfers: transfers from one country to another are free and transfers from one currency to the other are unlimited (principles of freedom of transfers and unlimited transfers); (2)

harmonisation of exchange regulations of the member-states according to the French regulations for all external financial transactions (principle of exchange harmonisation); and (4) pooling of foreign exchange reserves of the FZ member states in the operations account (principle of common management of foreign exchange reserves). The UMOA Treaty as well as the monetary cooperation convention concluded between France and the Central African countries both recognise the 'CFA franc' (CFA F) as a single monetary unit issued by a common financial institution. This common monetary unit is issued solely by the Central Bank of West African States (Banque centrale des Etats de l'Afrique de l'Ouest: BCEAO) within UMOA, and by BEAC in Central Africa.¹⁰ Since the African states' independence, the value of the CFA F has remained fixed at 0.02 French Francs (FFs). In relation to the FF, the CFA F enjoys the benefits of equivalency of currencies, freedom of transfers, and unlimited transfers. The CFA F also enjoys the benefit of free convertibility with the FF through the operations account's mechanism.

2. The operations account mechanism and the free convertibility guarantee The operations account mechanism constitutes the cornerstone of the FZ system. This mechanism is regulated by specific legal instruments: the 13 March 1973 convention between France and the BEAC member states on the one hand; the 4 December 1973 convention between France and the UMOA member states on the other hand. According to these regulations, each of the two multinational central banks, BCEAO and BEAC, is allocated an operations account (OA) at the French treasury (*Trésor public français*: FT). The OA records as credits all the foreign exchange earned by each central bank outside its currency zone. Conversely, it records as debits each central bank's currency expenditures outside its currency zone. However, it is stipulated that the total amount of foreign exchange other than FF deposited in each central bank's OA should not exceed 35 per cent of their net foreign reserves (excluding their International Monetary Fund's/IMF gold tranche and Special Drawing Rights/SDRs). This means that in effect 65 per cent of the African central bank's (ACB) external reserves should be denominated in FF in order for the CFA F to benefit from the free convertibility guarantee. The OA must, as a

¹⁰ 'CFA franc' originally stood for 'Franc of the French colonies in Africa'. According to the 14 November 1973 Treaty, 'CFA' means 'African Financial Community' (*Communauté financière africaine*) in the UMOA states, since the 1972 reform, 'Financial cooperation in Central Africa' (*Coopération financière en Afrique centrale*) in the Central African states.

rule, remain positive, in which case it earns interest to the benefit of the central bank concerned.¹¹ As a matter of policy, the FT grants unlimited overdraft facilities on each OA, and this allows the member countries to draw FF without regard to the foreign exchange actually earned. Although there is a progressive interest rate charged by the FT on any net debit balances,¹² this rate is so low as to be considered 'non-dissuasive'. The CFA F is thus said to benefit from the free convertibility guarantee. However, elaborate legal paraphernalia (or 'safeguard clauses') are designed to make it extremely difficult for the OA actually to show a deficit. First of all, the safeguard clauses really start operating not when the foreign exchange reserves are totally depleted, but when they are equal or inferior to 20 per cent of deposit liabilities. Secondly, when the OA's reserves become depleted, the ACBs must draw on all possible sources of external reserves before resorting to the FT's financial assistance. Moreover, if the OA showed a debit throughout a ninety-day period, a series of drastic corrective measures should automatically be adopted. It is therefore not surprising that, until very recently, the balance of both the BCEAO and the BEAC accounts have constantly been positive.¹³

Thus, the so-called 'free convertibility guarantee' seems to be more hypothetical than real. For one thing, as Tchundjang Pouémi rightly points out, it is not a guarantee that France will automatically compensate for any foreign exchange 'gap' since, as we have just noted, the ACB's balances have practically always been positive.¹⁴ In addition, as Diarra cogently remarks, the principle of pooling of foreign exchange reserves results in an automatic compensation of the accounts of the debtor countries by those of the creditor countries. Consequently, the free convertibility guarantee would start operation only when all the member-states' accounts would collectively show a debit, an extremely unlikely occurrence under the existing circumstances. Furthermore, the guarantee should start operating not when the ACB's foreign exchange

¹¹ Originally, the FT's interest rate was equal to the (variable) discount rate of the *Banque de France*, with a minimum of 2.50 per cent a year. Since the 1973 reform, a new mode of calculation designed to harmonise earnings on deposits in the ACBs and in the FT has been adopted.

¹² The interest rate is 1 per cent for overdrafts amounting to 5 million FF, and 2 per cent for overdrafts amounting to between 5 and 10 million FF.

¹³ The only exceptions are the OA balances of the central bank of Mali and of BCEAO, which have been negative since 1967 and 1980, respectively. The central bank of Mali's position was 1.211 million FF in 1982, and that of BCEAO during that same year was 1,555 million FF (Comité monétaire de la Zone Franc/Comozof, *Rapport 1982*, p 187).

¹⁴ Tchundjang Pouémi, *op.cit.*, p 58.

reserves are equal or inferior to 20 per cent of deposit liabilities, but when they are totally depleted.¹⁵ Finally, it should be noted that the FT, as a non-monetary institution, is in an unusual position *vis-a-vis* the ACBs which are placed under its tutelage. Indeed, 'The OA cannot globally show a debit because the FT does not actually issue any currency'.¹⁶ In view of these facts, it is difficult to see how the staunchest advocates of the FZ can persist in justifying the so-called 'free convertibility guarantee' other than by resorting to mere semantic jugglery, as Bourdin does: 'It is not because it is not operational that the convertibility guarantee should be discarded, it is because it exists that it is not activated'.¹⁷

3. *The operations account: a critical evaluation* The major drawback of the OA mechanism is that it significantly limits the African member-states monetary—and thus economic—decisionmaking autonomy. Indeed, the French monetary guarantee is counterbalanced by a number of rules and regulations which seriously affect the African member-states' autonomy and sovereignty. Thus, the principle of common management of foreign exchange reserves allows France to 'keep an eye' on the member-states' foreign exchange reserves so as to 'ascertain that the requests made are based on a real need'.¹⁸ In addition, the French government actively participates in the management and control of the ACBs, and French officials often occupy key management positions within these institutions. Although a process of progressive 'Africanisation' of most decisionmaking positions within the ACBs was initiated in the early 1970s,¹⁹ the French administrators in these institutions still retain, by virtue of the unanimity rule which prevails in the main decisionmaking organs, a quasi-veto right.²⁰ Thus, as K Yansané rightly remarks, the progressive Africanisation of the ACB's key management positions has not significantly affected the balance of power within these institutions, which remains heavily biased in favour of the French government.²¹

¹⁵ Diarra, *op. cit.*, pp. 12–13.

¹⁶ Tchundjang Pouémi, *op. cit.*, p. 101.

¹⁷ Bourdin, *op. cit.*, p. 12.

¹⁸ Vinay, *op. cit.*, p. 18.

¹⁹ Out of BEAC's twelve Executive Council members, only three (ie a quarter) are French. The process of Africanisation has gone even further in UMOA, where the principle of equal representation of member-states prevails.

²⁰ H L Engberg, 'The Operations account system in French-speaking Africa', *Journal of Modern African Studies* 11 (4) 1983, pp. 540–1.

²¹ Yansané, *op. cit.*, p. 44.

One is led to wonder, as Diarra rightly does, whether the price paid by the FZ African member-states in terms of limitation to their sovereignty is not exceedingly high in view of the hypothetical free convertibility guarantee that they are supposed to benefit from in return.²²

Another major drawback of the OA system is that due to the equivalency of currencies principle, the fate of the CFA F is inextricably linked to that of the FF. In effect, the CFA F does not have any value in and of itself: it constitutes a mere appendage to the FF. As Amin remarks, one should not speak of a 'franc zone' but of a 'zone of the franc'.²³ Indeed, as Tchundjang Pouémi bluntly puts it, 'France is . . . the only country in the world which has succeeded in having its own currency—and only its currency—circulated in politically independent countries'.²⁴ A further consequence of the adoption of the equivalency of currencies principle is that any modification in the value of the FF *vis-à-vis* other foreign currencies automatically and fully affects the CFA F. When the FF is devalued, as was the case in August 1969 and after 1981, the CFA F is also devalued by the same percentage in order to maintain the fixed exchange rate. Similarly, when the FF floats, along with the other European currencies, against the dollar and the yen, the CFA F has to join the float.²⁵ In view of the uncertainties and negative economic consequences resulting from this situation, the African member-states have persistently asked for the right to introduce some flexibility in the CFA F/FF exchange rate, to no avail. Following the 1972–73 agreements, the French government merely agreed to make two minor concessions to the African governments on this issue: (1) contrary to the prevailing practice of the *sait accompli*, France would, in the future, 'consult' with the FZ member-states before any devaluation decision; and (2) in order to mitigate the potential negative impact of the FF devaluation on the African member states' economies, the ACBs' net balances would be indexed on the IMF's SDRs, according to some fairly esoteric method of calculation whose effectiveness has yet to be demonstrated.²⁶

²² Diarra, *op. cit.*, p 20.

²³ Amin, 'Zone franc et développement', *op. cit.*, p 413.

²⁴ Tchundjang Pouémi, *op. cit.*, p 27.

²⁵ Engberg, *op. cit.*, pp 543–4.

²⁶ Guillaumont, *op. cit.*, pp 72–5.

Legal and political consequences of the Franc Zone system for the African member-states

1. *Franc Zone and unequal power.* Even the most superficial analysis of the FZ system reveals that while France benefits from exorbitant rights and privileges and wields considerable power, the African member-states are practically powerless, and their rights are almost non-existent. Thus, the principle of 'prior consultation' referred to above is considered as a mere 'act of courtesy' on the part of France towards her partner countries. Consequently, 'it could not possibly lead to the modification of a decision previously agreed upon and consistent with French economic and financial interests'.²⁷ It is therefore quite clear that the French government does not consider itself bound by the 'prior consultation' procedure, and unequivocally expresses its total freedom of decision and action in economic and financial matters. As to the African states' leeway, it is practically nil. Their only rights are those of the ultimate resort (non-membership or withdrawal), whatever the nature and significance of the difficulties encountered.²⁸ While the monetary cooperation agreements do provide for the possible modification of the CFA F/FF exchange rate, the French government has clearly cautioned the African states on the serious economic and political consequences of severing the monetary 'umbilical cord' which links them to France. In such times of doubt and 'dangerous' temptations, the African states are appropriately reminded of the Old Testament warning: 'He who breaks a hedge shall be bitten by a snake' (Ecclesiastes, 10.8.).²⁹

The acute imbalance between the rights and power of France on the one hand, and those of the African states on the other hand, results in a situation of extreme legal and political inequality. What is more, by shielding the African member-states against any monetary risks through the free convertibility guarantee, the FZ system puts these countries in a position of dependency which is not conducive to the normal assumption of their full monetary and financial responsibilities, to say the least.³⁰

One wonders whether the FZ advocates' insistence on the complexity of monetary mechanisms, the sophistication of monetary policy

Alibert, *op. cit.*, p 7.

Vinay, *op. cit.*, pp 137, 197.

Alibert, *op. cit.*, p 13.

On this point, see Diarra, *op. cit.*, pp 27-8; Tchundjang Pouémi, *op. cit.*, p 55; and Vinay, *op. cit.*, p 216.

instruments and the rigour and discipline required for a sound management of money and public finance is not a manifestation of these peoples' belief in the fundamental incapacity of Africans to manage their own economic, monetary and financial affairs. Is it not the expression of a latent racism based on the conviction that 'Since we left, the African countries are incapable of managing their own affairs'?³¹ Since France obviously continues to assume most of the monetary responsibilities in the FZ African member-states, one would be tempted to believe that this is indeed the case.

2. *Degrees of dependency: the 'concentric circles'.* While a global analysis shows that all FZ African member-states are legally and politically greatly dependent on France, a more detailed examination shows that there are, in fact, various degrees of dependency according to the criteria of 'proximity' to France. Four levels (or 'circles') may be distinguished according to this criteria. The first circle includes France and its immediate dependencies: overseas territories and districts, Monaco. The second circle is made up of the Central African states, members of BEAC linked to the FT by an OA convention. A quick comparison with UMOA shows that BEAC's status is much less liberal and autonomous than that of the West African UMOA states. For one thing, contrary to their West African counterpart, the Central African states have not yet set up a full-fledged monetary union. Furthermore, the monetary cooperation mechanisms instituted within BEAC are less elaborate and sophisticated than those existing within UMOA.³² The third circle is constituted by the UMOA member-states which, as we have just mentioned, enjoy a greater degree of autonomy from France than their Central African counterpart. A fourth circle includes the Francophone North African countries (Algeria, Morocco and Tunisia). Since their accession to independence, these countries have created their own currencies and central banks, and are therefore conducting an autonomous financial and monetary policy. The only formal

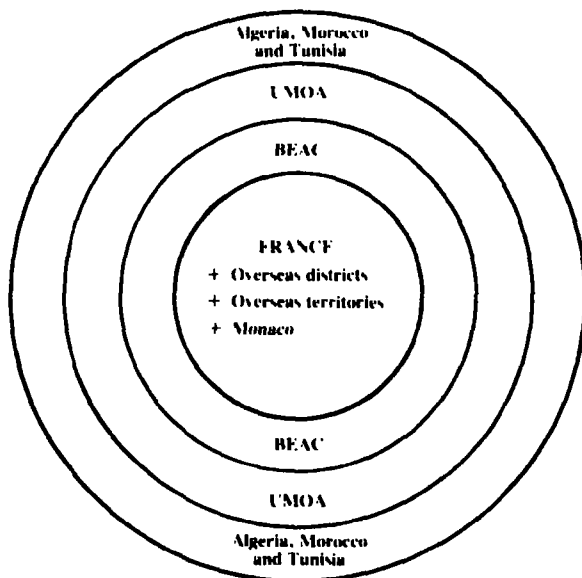
³¹ G Martin, 'Les fondements historiques, économiques et politiques de la politique africaine de la France', *Genève-Afrique* 21 (2) 1983, pp 41-2, 46. For an English, revised and updated version, see G Martin, 'The historical, economic, and political basis of France's African policy', *Journal of Modern African Studies* 23 (2) 1985.

³² Two facts might help illustrate this point. First, whereas BCEAO's Executive Council is structured on a parity basis (twelve members, two for each state), that of BEAC has an unequal composition (twelve members: four for Cameroon, three for France, two for Gabon and one each for the other states). Secondly, whereas a financial market has been created within the framework of UMOA on 1 July 1975, no such market has yet been organized within the BEAC zone.

institutional links remaining between the North African countries and France are the 'special drawing accounts' (*comptes d'avances*) which their central banks still retain at the French central bank, Banque de France (BDF), and which provides them with short-term, limited monetary assistance.

Figure 1 graphically represents these four concentric circles. A main criterion of French 'interventionism' in the African countries' economies is the state of these countries' economies: the weaker and less healthy the economy, the greater the degree of French intervention in monetary and financial management. Another criterion is the proximity to the implicit model represented by the French economy, according to the various levels of development of the other FZ countries. In this perspective, North Africa, UMOA, BEAC, and dependencies represent different stages of development, from the highest to the lowest, in relation to the French model which they tend to emulate. Ultimately, the degree of financial and monetary autonomy is a function of the level of development, which itself conditions the state

Figure 1: The Franc Zone's four concentric circles



of the economy. It is important to note that this process of progressive autonomy (or independence) is strictly and exclusively controlled by the central unit (or metropole) of the system, ie France. In this regard, it is quite clear that no radical transformation of the structure of economic cooperation between France and her former African colonies has actually taken place since independence.³³

The functioning of the Franc Zone system: sectoral economic consequences for the African member-states

In their prolific writings, the FZ panegyrists insist *ad nauseam* on the numerous advantages that the African member-states are supposed to derive from the free convertibility guarantee attached to the OA's mechanism.³⁴ Prominent among these so-called 'advantages' are the stability and security conferred to the CFA F by the French convertibility guarantee, which exonerates the African beneficiary states from any balance-of-payments and foreign exchange difficulties. Other assumed 'advantages' include the favourable climate for foreign private investment and public capital flows created by the French convertibility guarantee, which positively contribute to the economic growth and development of the African member states. Finally, the FZ is said to constitute a powerful incentive for solidarity, cooperation and regional integration among the African member-states themselves. The 'success' of the FZ is demonstrated as much by the number of candidate countries it has recently attracted (Equatorial Guinea, The Gambia, Ghana, Sierra Leone and Zaïre) as by the economic failure of those states which initially refused to join it (Guinea and Mali).

A comprehensive study addressing each of these points would be necessary to assess adequately the real substance of the 'advantages' attached to the free convertibility guarantee. As this is obviously not possible within the confines of the present article, we shall limit ourselves to a brief survey of some of the main sectoral (rather than global) economic consequences of the FZ system for the African member-states. In this perspective, devaluation and inflation, and savings and credit policies will successively be examined.

³³ See in particular Bourgi, *op. cit.*, p 155; Diarra, *op. cit.*, p 21; and Martin, 'Les fondements, *op. cit.*, pp 49-56.

³⁴ See the previously quoted works by Alibert, Bourdin, de La Fournière and Vinay.

Cumulative impact of devaluation and inflation on the African states' economies

We noted above that by virtue of the equivalency of currencies principle, any modification in the value of the FF *vis-à-vis* other foreign currencies automatically and fully affects the CFA F. Thus, in order to maintain the fixed exchange rate, the CFA F has been devalued by the same percentage as the FF each time the latter was devalued *vis-à-vis* other foreign currencies. This was notably the case in August 1969 (12.5 per cent), October 1981 (3 per cent), June 1982 (5.57 per cent), and in March 1983 (2.5 per cent). These successive devaluations, added to the steady increase of the US dollar on world monetary markets since 1980, have had a devastating impact on the economies of the African states concerned.

In the first place, the devaluation's immediate result is automatically to reduce the value of the foreign exchange reserves held by the ACBs in the FT. These sums are all the more significant since in fact these banks hold most of their assets in FF, well beyond the 65 per cent statutory minimum.³⁵ Furthermore, as previously noted, the ACB's net balance *vis-à-vis* the FT has always been positive, by an average of 50 billion CFA F from independence to 1974. From 1974 to 1976, this position increased from 50 to 75 billion CFA F.³⁶ Table 2 clearly shows the significant improvement in the BEAC countries' position (from 126.6 billion CFA F in 1981 to 161.9 billion in 1982 and 191.3 billion in 1983). At the same time, the BCEAO's position began to deteriorate, decreasing from 127.3 billion CFA F in 1978 to 54.6 billion in 1979 and becoming significantly negative starting in 1980 (from -52.6 billion in 1980 to -200.4 billion in 1983).

Table 2: Evolution of the BCEAO operation account's balances, 1978-83 (millions of CFA francs)

	1978	1979	1980	1981	1982	1983
BCEAO	127,350 21,273	54,637 41,390	-52,650 93,573	-85,820 126,637	-80,972 161,908	-200,446 191,375

Source: Comozof, *Rapports 1978, 1979, 1980, 1981, 1982 and 1983*, various Annexes

³⁵ Thus, BCEAO held about 78 per cent of its foreign exchange reserves in FF in 1978-79. In the case of BEAC, this proportion varied between 90 and 95 per cent from 1979 to 1982 (Comozof, *Rapports 1978 to 1982*).

³⁶ Tchoundjang Pouémi, *op. cit.*, p 58.

It should be stressed that these assets have been rather poorly remunerated. Thus from 1960 to 1973, the interest rate granted by the FT on deposits was similar to that posted by the BDF, which was the lowest on the French monetary market. The 1973 agreements have attempted to reduce somewhat the gap between the interest rates granted to the ACBs by the FT and those of the French monetary market, with at best mitigated results. If one adds to this the fact that the interest rates posted by the other financial markets (including the Treasury Bills that the BDF underwrites with her own reserves) were, during that period, significantly higher than those of the French monetary market (by about 4 to 5 per cent), one can safely estimate the net loss suffered therefrom by the African states member of the FZ during the first twenty years of independence at 80 billion CFA F.³⁷ In the particular case of the FF devaluation, (by 12.5 per cent) of August 1969, the net loss to the UMOA countries of that devaluation in relation to gold and to other foreign currencies has been estimated at 4.3 billion CFA F.³⁸

Furthermore, it should be noted that the FF has been steadily devalued *vis-à-vis* other foreign currencies since 1980. Thus, the devaluation *vis-à-vis* the US dollar was of 12.3 per cent in 1980, 21 per cent in 1981, 15 per cent in 1982, and 15.8 per cent in 1983.³⁹ This gives an idea of the significant gains that the ACBs might have realised, had they held most of their reserves in US dollars during that period. In view of this situation, one is dumbfounded by the astounding statements made by some of the unconditional advocates of the FZ to the effect that the foreign exchange reserves of the African member states have been better remunerated under the present arrangement than would have been the case had these states held most of their foreign exchange reserves in gold⁴⁰ or in other foreign currencies, particularly in US dollars.⁴¹ If this was the case, one wonders why Cameroon would take such pains to hold more than half of its foreign exchange earnings derived from oil revenues in US dollars in American banks, both in Cameroon and in the US. According to the most conservative estimates, Cameroon's oil revenues (which are deposited in a special, extra-budgetary account) were in 1981-2 valued at \$1 billion, with a

³⁷ *ibid.*, p. 38.

³⁸ R Tremblay 'La dévaluation du franc CFA a la suite de la dévaluation du franc français: un exercice de simulation' in R Tremblay (ed), *Afrique et intégration monétaire*, Montreal: Les Editions HRW, 1972, p. 260.

³⁹ Comofof, *Rapports 1980*, p. 170; 1981, p. 160; 1982, p. 164, and 1983, p. 157.

⁴⁰ de La Fournière, *op. cit.*, p. 70.

⁴¹ Bourdin, *op. cit.*, p. 59; Vinay, *op. cit.*, pp. 171-3.

production amounting to about 5.3 millions tons. This in effect means that close to \$500 million (or more than 200 billion CFA F) actually escape the regular FZ channels, much to the dismay and irritation of the French government. It is generally estimated that the interest earned on these deposits alone largely compensates for any nominal deficit of Cameroon's balance of payments.⁴²

In the area of trade, the progressive devaluation of the FF has a negative impact on the FZ African countries to the extent that it results in an increase of import costs from third countries, particularly of oil imports denominated in US dollars. Such a negative impact is all the greater since there has been a steady increase of the share of third (non-FZ) countries in the global trade of African FZ countries, and a proportional relative decline of France's share in that trade. Thus, the proportion of non-FZ imports has been 73 per cent (1977) and 72 per cent (1979) for Benin, 72 per cent (1980) for Togo, 66 per cent (1982) for the Ivory Coast, and 66 per cent (1981) for Senegal.⁴³

Another negative effect of devaluation is to increase the amount of annuities—both in terms of capital and interest—on the foreign debt of the African countries denominated in foreign currencies. The more these countries are indebted to strong currency countries, the greater the additional amounts due. Thus, according to the Hudson Institute, 80 to 90 per cent of the LDCs' foreign debts are denominated in US dollars. Other sources estimate that devaluations account for 60 to 70 per cent of the present external indebtedness of the FZ countries.⁴⁴ Tremblay has calculated that the August 1969 devaluation of the FF has increased the annuities on the UMOA countries' foreign debt by about 414 million CFA F.⁴⁵ Countless examples could be cited to demonstrate the negative impact of the devaluation of the FF on the indebtedness of the FZ African member-states.⁴⁶

⁴² *Africa Confidential* 24 (16), 3 August 1983. This issue is said to have been one of the main points of contention raised by the French delegation during President François Mitterrand's state visit to Cameroon on 20–21 June 1983.

⁴³ Comozof, *Rapport* 1983, pp 285, 288, 297 and 300.

⁴⁴ T M., 'Dévaluation et alourdissement de l'endettement des pays de la zone franc', *La Voix du Kamerun en Exil* (36) 1983, p 13.

⁴⁵ Tremblay, 'La dévaluation', *op. cit.*, p 264

⁴⁶ Taking Cameroon as a case in point, one author has demonstrated the negative impact of the devaluation of the French franc on the indebtedness of that country. According to this author, Cameroon's external debt amounted to \$2,487 million in 1980. On the basis of the then prevailing exchange rate (1 \$ = 4.55 FF), Cameroon needed 11.32 billion FF (or 565.80 billion CFA francs) to pay up its debt. In January 1983, as a result of the intervening FF devaluation (1 \$ = 7.43 FF), Cameroon owed 18.48 billion FF (or 932.92 billion CFA F). Thus the same debt had increased from 565.80 billion CFA F to 923.92 billion between 1980 and 1983 (which represents an increase of 358.12 billion CFA F) (T M., *op. cit.*, p 14)

In addition, devaluations tend, through various indirect mechanisms, to increase the overall price level in the African FZ states. Initially, those countries are already disadvantaged by the fact that the basic monetary unit commonly used is not the CFA franc—which is merely a unit of account—but coins with a face value of five, ten or twenty-five CFA F. This means that prices are necessarily increased by multiples of five CFA F, which contributes to the overall price increase and inflationary tendencies in the African FZ states.⁴⁷ One of the major immediate effects of inflation is that known as 'time-lag'. This refers to the fact that a period of time elapses between the moment when the devaluation decision is taken and the time when the real impact of this decision is felt. Thus, the oligopolistic firms operating in the African countries increase their prices, by anticipation, as soon as the devaluation decision is known. They then increase their prices a second time when the impact of the extra costs due to inflation are actually felt. This phenomenon explains why in these countries an expected price increase of, say 8 per cent usually ends up as a real price increase of over 15 per cent.⁴⁸

A further negative economic consequence is the mechanism whereby French inflation is transferred to the FZ African countries through trade links and capital transfer. Although it is true (as noted above) that the African states have progressively diversified their foreign trade partners, France remains, by and large, the main trading partner of those countries. Table 3 shows that while the African states' exports to France are decreasing overall (except in the cases of Niger, Central African Republic and Comoros, where they exceed 40 per cent), these states' imports from France remain significant (between 40 and 60 per cent), notably in the cases of Niger, Cameroon, Central African Republic and Congo. Thus, the high rates of inflation that have prevailed in France over the past years (13.6 per cent in 1980, 14 per cent in 1981, 9.7 per cent in 1982, and 9.3 per cent in 1983) have had a negative impact on the FZ African economies, which remain largely influenced by the French economy. For one thing, the price of imported goods increases. In addition, this increase in the price of imported goods—which are essentially consumed by the national bourgeoisie and expatriates—indirectly affects the level of local prices in the African

⁴⁷ Interview with R Messi Messi, General Manager of the Société camerounaise de banque (Cameroon Bank Corporation), in *Jeune Afrique Economie* (29–30) December 1983, p 24.

⁴⁸ A Ondo, Ossa and A Tshibuabua Lapiquonne, 'Faut-il réformer la zone franc?' *Le Mois en Afrique* 19 (215–216) 1984, p 67.

Table 3: France's percentage share in the external trade of the Franc Zone African countries, 1978-82

	1978		1979		1980		1981		1982	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
<i>UMOA countries</i>										
Benin	28.5	22.6	25.7	13.6	39.3	18	33	12.2	27.6	14.5
Burkina Faso					39.8	21.6	33.1	18.6	30.5	19
Ivory Coast										
Mali	32.7	32.7								
Niger	43.3	46.2	40.1	42.1	39.1	40.4				
Senegal			38.1	44.7	33.6	32.3	29.1	19.7		
Togo			32.4	15.7	25.1	15.3	31.6	17.2	27.1	22
<i>BEAC countries</i>										
Cameroon			43.8	24.2	43	20.4	41.3	19.6		
Central African Republic	57.8	49.6	63.2	45.6	60.7	52.1	56.3	50.6	53.3	44
Chad										
Congo	49.9	24.4	51.4	2.8	47.5	1.3	54.8	1.7	63.5	10
Gabon	55.3	25.2								
Comoros	29.1	53.7	50	76.3	56.2	48.4				

Source: Comozof, *Rapport 1983*, pp 285 ff.

Table 4: Evolution of France's balance of payments with non-Franc Zone and with Franc Zone countries, 1978 to 1983 (overall balance, millions of FF)

	1978	1979	1980	1981	1982	1983
Non-Franc Zone countries	+26,759	+6,109	-892	-71,281	-46,151	-3,858
Franc Zone countries	+447	+1,816	+1,932	-2,623	+2,896	+76

Source: Comozof, Rapports 1978, 1979, 1980, 1981, 1982 and 1983, various Annexes

countries, which tend to increase as a result. In this fashion, French inflation is, literally, imported into the FZ African countries.⁴⁹ In the final analysis—and contrary to some dubious assertions⁵⁰—the pooling of foreign exchange reserves through the OA's mechanism seems to be much more beneficial to France than to the African states concerned. As previously noted, the ACBs' OAs at the FT have constantly been positive. There is no doubt that the FT uses these assets to offset any deficit that might occur in the French public accounts.⁵¹ Furthermore, the African states have constantly been among the main foreign exchange earners within the FZ via the OA mechanism. Thus, in 1966 they provided 99 per cent of the FZ's foreign exchange.⁵² Finally, Table 4 reveals that while France's balance of payments (particularly with other developed countries) has been in chronic deficit since 1980 (-71.2 billion FF in 1981, -46.1 billion in 1982, and -3.8 billion in 1983), this balance has always (except in 1981) been positive with other FZ countries (+1.9 billion FF in 1980, +2.8 billion in 1982, and +76 million in 1983). It is thus quite clear that the FZ's overall positive foreign exchange reserves significantly contribute to offset France's chronic deficit of its balance of payments, which otherwise would be much worse.

If it can truly be said of the FZ that it is a 'solidarity zone',⁵³ it must be acknowledged that it is, unfortunately, a one-way solidarity. Indeed, the fact that the OAs are opened at the FT, and not at the BDF (as they

⁴⁹ The rate of inflation prevailing in certain Francophone African countries is quite impressive. In the Ivory Coast, for instance, this rate was 16.3 per cent in 1974, 18.9 per cent in 1975 and 19.5 per cent in 1978. In Senegal, it was 19.4 per cent in 1974 and 21.4 per cent in 1975 (Guillaumont, *op. cit.*, pp 156-7).

⁵⁰ Vinay, *op. cit.*, pp 221-32.

⁵¹ de La Fournière, *op. cit.*, pp 88-9.

⁵² *ibid.*, p 91

⁵³ Alibert, *op. cit.*, p 8.

should) in effect insulates the French economy from fluctuations arising within the FZ states, while these states are actually subjected to the full impact of fluctuations arising in the French economy. The latter benefits on two accounts: while it is protected from disturbances arising within the FZ states, it benefits substantially from the significant foreign exchange reserves held by these states in the OA. As for the African states, they are double losers: first, because of the negative impact of imported inflation on their economies, which are largely influenced by France; secondly, because of their net losses arising from the fact that they are compelled to hold most of their foreign exchange reserves in a constantly depreciated currency. Ultimately, it would seem that the African states have struck a bad deal in which France is the major beneficiary and they are the net losers. The study of saving and credit policies in the FZ cannot but reinforce this pessimistic conclusion.

Savings and credit policies in the Franc Zone African member-states

General principles Generally, savings and credit policies are the main economic instruments through which the state attempts to allocate internal capital resources according to sectoral priorities as defined in the global development strategy. Yet, surprisingly, such policies are highly orthodox, conservative and centralised in the FZ African member-states. First of all, while it is generally admitted that savings and credit policies should necessarily be initiated and controlled by the state, one finds that in the FZ African states these policies are actually carried out by the ACBs, which are themselves placed under the authority of the FT. This means that it is in fact the BDF (as the FT's controlling authority) which ultimately controls savings and credit policies in the FZ. Secondly, such policies, as conducted in that zone, are clearly influenced by the most orthodox neo-classical conception of development. According to this view, the low level of economic development and the weak financial infrastructure of the African states call for specific types of monetary and credit policies. The same school of thought holds that in the LDCs, credit allocation has a direct impact on external reserves. In these countries, therefore (so the argument goes), the level of external reserves determines the necessary level of credit allocation. This, in the FZ African states, the ACBs are invested with the exclusive right to determine the 'reasonable needs' of the member-states' economies which can be satisfied 'without actually

upsetting the external balance'.⁵⁴ Consequently, in these states, the ACB's allocations to the national treasuries are limited by specific ceilings (20 per cent of ordinary budgetary receipts in BEAC, and 20 per cent of national fiscal revenues in BCEAO). Such a practice is supposedly designed to 'moderate the states' excesses'.⁵⁵ It is quite clear that the observance of these ceilings is a tacit condition of the French external convertibility guarantee.⁵⁶ France is thus invested with the responsibility of supervising the compliance with orthodox financial and monetary regulations. Such a collective discipline as is enforced within the FZ is seen as constituting 'a safeguard against individual excesses'.⁵⁷

While it is generally admitted that one of the bank's functions is to finance the national treasury, thus making the government indebted to the banking system, one finds that the ACBs generally run a credit *vis-à-vis* the African governments.⁵⁸ This is all the more surprising since the pressing economic needs of these LDCs call for a radically different situation. Thus in the FZ countries one is faced with a most unusual situation in which the treasuries of supposedly independent states are not in a position to mobilise financial resources by resorting to monetary mechanisms commonly used elsewhere. Furthermore, the central bank's policies are determined not by the member-states' economic needs but by their level of foreign reserves. This results in the conservative management of these states' foreign reserves. Ultimately, one must admit that the exceedingly strict monetary and financial discipline imposed on the FZ African member-states is unique in the world.⁵⁹ As Fabra rightly observes: 'One is easily orthodox when it comes to poor countries'.⁶⁰ This observation is borne out by the study of the actual implementation of savings and credit policies.

2. Implementation The main method of quantitative credit control

⁵⁴ Vinay, *op. cit.*, p. 104. According to the same author, 'The borderline between reasonable and unjustified needs is not neatly drawn. It can vary with circumstances . . . and according to the countries and economic structures' (*ibid.*, p. 104).

⁵⁵ *ibid.*, p. 189.

⁵⁶ *ibid.*, p. 196.

⁵⁷ *ibid.*, p. 192.

⁵⁸ In UMOA, the government's net position *vis-à-vis* the monetary institutions moved from creditor (by 29.6 billion FF) in 1980 to debtor (by 122.4 billion in 1981, 218.4 billion FF in 1982, and 345.8 billion in 1983) (Comozof, *Rapports 1982*, p. 149; 1983, p. 142).

⁵⁹ M Rudloff (in Yansané, *op. cit.*, p. 46) has this to say in this regard:

The imposition of reduced credit ceilings is a measure which the developed countries adopt only reluctantly. Such a measure can be catastrophic in underdeveloped countries. One wonders to what extent the present economic stagnation that prevails in many FZ member states is not due to the imposition of such constraining and rigid financial measures.

⁶⁰ P Fabra, 'Zone franc ou zone de pauvreté?', *Le Monde* (Paris), 2 December 1972.

Table 5: UMOA savings account's interest rates, 1970-82 (percentages)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Nominal interest rates	3.25	3.25	3.25	4.75	4.75	5.50	5.50	5.50	5.50	5.50	7.50	7.50	9.50
Real interest rates	-1.75	-3.45	-2.35	-6.96	-14.65	-15.90	-7.10	-7.90	-14.00	-11.60	-5.50	-3.90	

Source: P and S Guillaumeont, Zone franc et développement africain, pp 156-7.

used in the UMOA and BEAC member-states is that of the banking system's refinancing through the central bank, rather than the resort to the discount rate. Thus, interest rates in these states have been deliberately stabilised at a fairly low level, although they have been progressively increased since 1974.⁶¹ As a result of the freedom of transfers and unlimited transfers principles prevailing within the FZ, this policy of low interest rates has inevitably resulted in a significant capital flight from the African countries towards France, where the interest rates are much higher.⁶² Thus the main purpose of this policy, which was to facilitate and encourage private national and foreign investment, has clearly been defeated. Ultimately, there is no doubt that savings in the FZ African states are discouraged by the continuing low interest rates policy. Thus, Table 5 shows that within UMOA, the nominal interest rates on savings accounts have increased from 3.25 per cent in 1970-72 to 4.75 per cent in 1973-74, 5.50 per cent in 1976-79, 7.50 per cent in 1980-81 and 9.50 per cent in 1982. The same table shows that during that period, the minimum real interest rates on savings accounts (taking the rate of inflation into account) were constantly negative (- 15.90 per cent in 1975, - 14 per cent in 1978, and - 11.60 per cent in 1979). This situation being, by and large, the same in the BEAC countries, its logical consequence is for savings to move to more remunerative markets, notably to France.⁶³

The selective control of credit aims at regulating credit allocation so that it can be directed to those sectors considered as priorities within the national development strategy. Credit allocation is usually the responsibility of the commercial banks. Table 6 shows that over half of all the banks operating in the FZ African countries are foreign-owned in the proportion of 70 per cent. While these co-exist alongside a significant state sector, only about 8 per cent of the total number of banks identified in those countries are owned by private nationals on a

⁶¹ Thus from 1962 to 1974, the BCEAO's discount rate has remained fixed at 3.50 per cent, and that of BEAC never exceeded 4.25 per cent. However, the BCEAO's discount rate was progressively raised from 5.50 per cent in January 1973 to 8 per cent in July 1975 and 10.50 per cent in April 1980. Similarly, that of BEAC increased from 5.50 per cent in 1974 to 6.50 per cent in January 1976, 8.50 per cent in October 1979, and 9 per cent in December 1982 (Comozof *Rapports* 1978, p 389; 1982, p 408).

⁶² This capital flight has not been noticeably reduced even after the increase in the ACB's interest rates which took place since 1973/74. These rates still remained significantly lower than those prevailing in France 16.81 per cent in April 1982, 12.88 per cent at the end of 1982, and 12.27 per cent at the end of 1983) (Comozof, *Rapports* 1982, p 124; 1983, p 120).

⁶³ Thus during 1980, the rate of one-month Eurodollar deposits increased from 9 to 23 per cent, and the basic rate in the US increased from 10.75 to 21.50 per cent. In France, the basic rate decreased from 14 to 12.75 per cent between the beginning and the end of 1982.

Table 6: Ownership of capital in the banking sector of the Franc Zone African countries, 1984

	Total number of banks surveyed	Number of banks and ownership of capital (percentages)					
		National			Foreign		
		State	Private		No.	Percentage (average)	
			No.	Percentage (average)		No.	Percentage (average)
Benin	3	3	97	—	—	—	—
Burkina Faso	2	2	52.4	—	—	—	—
Cameroon	12	6	77.2	—	—	6	60.8
Central African Rep.	3	1	60	—	—	2	70.8
Congo	2	2	58.3	—	—	—	—
Gabon	5	1	69	—	—	4	66.1
Ivory Coast	12	2	66.4	2	56.8	8	66
Mali	4	2	65	1	73	1	77
Niger	7	4	77.2	—	—	3	100
Senegal	9	2	74.2	2	71.8	5	65.3
Togo	4	—	—	—	—	4	59.1
TOTAL	63	25	69.6 (average)	5	67.2 (average)	33	70.6 (average)

Source: M Adel Amine and S Gharbi, '150 leaders de la banque en Afrique', *Le Journal de l'Economie Africaine* (69) 12 September 1985, pp 66-7 (author's computation).

majority basis. Indeed, 'in Africa, the banking profession is a foreign preserve. There are no genuinely African banks . . . Blacks are practically excluded from the banking profession'.⁶⁴ While there is no doubt that control of financial capital is a necessary prerequisite of a genuinely Africanised banking system, such control at present largely eludes the African public and private sectors.⁶⁵

The African countries' capital needs are determined by their development strategy. Whatever that strategy might be, it initially requires vast amounts of capital for investment in basic transport, communications and social infrastructure. This necessarily calls for long-term financial loans on concessional terms. On the other hand, the commercial banks operate according to market principles and are essentially concerned with making the highest profits in the shortest possible time. Consequently, they will be interested in financing only business ventures with a sufficiently broad and sound financial basis which offer the best prospects for assured and immediate gains. These obviously incompatible strategies of development of the African states and the private banking sector can only be reconciled and accommodated within a global state-controlled credit policy in which the state would be in a position to direct credit to the priority areas. However, in the FZ African states, it is in fact the central banks who actually control the credit policy. It is therefore these central banks, and not the states themselves, which have the responsibility of allocating credits among the different sectors of the economy. Consequently, it should not come as a surprise that in the FZ, the banking sector tends to favour short-term credit, to the detriment of medium- and long-term credit.⁶⁶

It is thus obvious that the credit policy conducted within the FZ is essentially determined by strictly mercantilist considerations. Furthermore, such a policy retains a purely colonial character, to the extent that it predominantly favours those sectors which are still heavily dominated by foreign (mostly French) capital, namely commodities, small-scale, import-substitution industry and wholesale and retail trade. Thus, this particular credit policy tends to favour export-oriented

⁶⁴ Tchundjang Pouémi, *op. cit.*, p 73.

⁶⁵ Yansané, *op. cit.*, p 164.

⁶⁶ Thus, within BEAC, the proportion of short-term credit in relation to total credit allocation was 67.5 per cent in 1981, 70.2 per cent in 1982, and 69.9 per cent in 1983. For medium-term credit, this proportion was 29.1 per cent in 1981, 26.8 per cent in 1982, and 27.7 per cent in 1983. For long-term credit, the same proportion was 3.4 per cent in 1981, 3 per cent in 1982, and 2.4 per cent in 1983 (Comozof, *Rapports 1981*, pp 152-3; 1982, pp. 156-7; 1983, pp 148-50).

foreign firms to the detriment of nationally owned businesses. Furthermore, by favouring short- and medium-term—as opposed to long-term—credit, the FZ banking system does not allow the African states (and entrepreneurs) to have access to the necessary investment capital. These states are thus compelled to resort to bilateral and multilateral ODA in order to finance their development programmes and projects. This is all the more unusual since, as we have seen above, the ACBs generally run a credit *vis-à-vis* the banking system. If one adds to this the fact that the ACBs' OAs have almost always been positive, one can safely conclude that the African FZ states do have an important credit potential which is actually untapped or wasted.

In the final analysis, the FZ constitutes a single preferential economic area within which France can freely pursue a purely neo-colonial policy of economic exploitation of the African countries. It is thus necessary to analyse the FZ globally, rather than sectorally, if one is to assess fully and accurately its impact on the African economies concerned.⁶⁷ Unfortunately, it is not possible to deal with the other aspects of economic cooperation within the limits of the present article. While this issue has been dealt with elsewhere, it certainly deserves further, more detailed study.⁶⁸

Conclusion: Franc Zone, underdevelopment and dependency and strategies of monetary liberation

Franc Zone, underdevelopment and dependency

The analysis of the legal, political and economic consequences of the FZ system for the African member-states has revealed a number of objective realities. First of all, it appears that behind the façade of a purely formal legal equality, there exists in fact a situation of extreme inequality between France and her African partners. Through the FZ mechanism, the latter have actually delegated all their monetary and financial responsibilities to France in what amounts to a voluntary surrender of sovereignty. It is France which is actually entrusted with the power of decision, management and control of the economic policies of the African states. Secondly, the OA mechanism institutes a

⁶⁷ Guillaumont, 'Zone franc et développement: les caractéristiques de la zone franc sont-elles dissociables?' in R Tremblay (ed), *Afrique et intégration monétaire*, Montréal: Les Editions HRW, 1972, pp 289–350.

⁶⁸ See in particular, P Hugon, 'L'Afrique noire francophone: l'enjeu économique pour la France', *Politique africaine* (5) Février 1982, pp 75–94; G Martin, *op. cit.*, pp 49–56.

purely hypothetical convertibility guarantee to the extent that such a guarantee has never actually been put to the test. This mechanism in effect tightly links the CFA franc to the French franc, with the result that the latter's chronic difficulties are automatically transmitted to the former. Under the cumulative impact of the French franc's repeated devaluations and imported inflation, the economic situation of the African FZ states has steadily and significantly deteriorated since independence. It has now become quite clear that the pooling of foreign exchange reserves institutionalised through the OA mechanism is much more beneficial to France than to the African states concerned. The latter seem to have concluded with the former a bad deal in which France has much to gain, and the African states much to lose. Furthermore, these states have at best very limited control over savings and credit policies. In the FZ system, these policies are initiated, regulated and directed by the ACBs, and they are implemented by the commercial banks. In addition, the credit policy which is carried out is strictly orthodox and ultra-conservative, resulting in an extremely cautious and profit-oriented management of assets. Short- and medium-term credit are given precedence over long-term credit, with the resulting consequence that safe and profitable ventures (and foreign firms) are privileged to the expense of much-needed investments in economic and social infrastructure (and local entrepreneurs).

In sum—and from the point of view of the African states concerned—the FZ system seems to be grossly iniquitous legally and politically, and totally irrational economically. Indeed, through the OA mechanism, the African member-states are forced to accumulate foreign reserves abroad, prevented from running budgetary deficits at home while they are at the same time compelled to resort to foreign private and public capital in order to finance their long-term investment needs. Thus, the African states are paradoxically forced into a situation of indebtedness *vis-à-vis* developed countries (notably France), whereas a rational and strict management of their internal and external reserves should allow them greatly to reduce their dependency on foreign aid and foreign private capital.⁶⁹ As a consequence of this peculiar situation, the

⁶⁹ This situation is not unlike that which prevailed during the colonial era, thus described by Rocheteau:

The colonial banks constituted a remarkable channel for the transfer of local savings to the metropole in the form of short-term, low-cost credit. Conversely, because of this export of local savings, colonial investment could only be financed by resorting to capital import from the metropole on a long-term, high-cost basis.

(G Rocheteau, *Pouvoir financier et indépendance économique en Afrique*, Paris: Karthala, 1982, p 30).

African states increase their dependence on external sources of financing while they are not in a position actually to direct the incoming financial flows to the priority areas in their development plans. Ultimately, the FZ system contributes, in typical neo-colonial fashion, to perpetuate and increase the underdevelopment and dependency of the African states while at the same time significantly helping France to develop. Any study of the much-deplored 'poverty' and 'impoverishment' of the African countries and populations should be viewed against this background. At this point, it is necessary to examine the various possible alternatives offered by a global strategy of monetary liberation.

What is to be done? Alternative strategies of monetary liberation

We hold it to be self-evident that monetary independence is not only desirable, but also possible. In this perspective, one need not be unduly influenced by the prophets of doom who strongly and persistently warn the African countries against the pitfalls of monetary independence. In support of their warning, these authors generally refer to the well-known and serious economic and financial difficulties of such countries as Guinea, Madagascar and Mali. Such arguments may be countered by observing, as Diarra has done, that the failure of these socialist countries' experiments in monetary independence are due not so much to their relative 'poverty' or to deficiencies inherent in their national currencies, but rather to economic and financial mismanagement on the part of their governments and monetary institutions.⁷⁰

Among the various proposed reforms of the FZ system, one should make a distinction between (1) the reformist alternatives, which aim simply at introducing minor adjustments, leaving the overall mechanism intact, and (2) the revolutionary alternatives, which propose that the existing system be entirely overhauled. These will be successively examined.

A number of authors are of the opinion that given their present level of development, the African states must necessarily maintain their monetary cooperation with France. As a result, their various reform proposals hinge around a readjustment of the system that would introduce a greater degree of autonomy in the African states' management of their own monetary affairs. Such proposals envisage the

⁷⁰ Diarra, *op. cit.*, pp 39-55.

creation of national currencies and national central banks entrusted with the issuing of currency and the allocation and control of credit. In this framework, the link between the FF and the CFA F would be maintained. However, the CFA F would be confined to the role of a unit of account, reserve currency and intermediary for external monetary transactions. Within each sub-region (West and Central Africa), an African monetary union, or African Monetary Fund (AMF) would be created. The unlimited convertibility guarantee provided by the FF to the CFA F would be maintained. This would be done either by establishing a formal link between the AMF and the FF via an OA, or by the opening at the FF of 'special drawing accounts' for the AMF. Such a system would undoubtedly introduce a greater degree of autonomy within the system, the African states becoming exclusively responsible for the implementation of national monetary policies. Nevertheless, this system would preserve inter-African and Franco-African monetary cooperation.⁷¹

Other reform proposals, derived from Kwame Nkrumah's pan-Africanist blueprint, advocate a progressive continental monetary integration as part of a larger economic and political integration process at the continental level. The constituent elements of such a progressive continental monetary integration would be the following: (1) an African payments and clearing union; (2) an African monetary zone; and (3) an African central bank. Such a system implies the pooling and common management of foreign exchange reserves, as well as the creation of a single African currency.⁷² It is interesting to note in this regard that the 1980 Lagos Plan of Action calls for the creation of a sub-regional multilateral clearing and payment arrangement no later than the end of 1984, and of an African Payments Union before the end of the decade.⁷³

Looking at the issue from a gradualist and realist perspective, one might be tempted to advocate the reformist option of structural

⁷¹ Leading proponents of this option are: M Diarra, *op. cit.*, pp 61–8; F Kouadio, 'L'intégration du Mali dans l'UMOA', *op. cit.*, pp 97–8; C A Michalet, 'L'intégration monétaire: l'exemple de la zone franc in *Le défi du développement indépendant* by C A Michalet, Paris: Les Editions Rochevignes, 1983, pp 134–8; J Nkuete, *Le franc CFA face aux mutations des grandes unités de compte*, Yaoundé: Editions CLE, 1981, pp 148–62; and A Y Yansané, 'Some problems of monetary dependency in French-speaking West African states', *Journal of African Studies* 5 (4) 1978/79, pp 469–70.

⁷² Nkrumah's monetary pan-Africanist blueprint is outlined in K Nkrumah, *Africa Must Unite*, New York: International Publishers, 1963, pp 163, 219; other advocates of this view include: A Mensah, 'Monetary relations among African countries', *Africa Development* 4 (1) 1979, pp 14–18; and Tchundjang Pouémi, *op. cit.*, pp 230–45.

⁷³ Organisation of African Unity, *Lagos Plan of Action for the economic development of Africa, 1980–2000*, 1981, p 88.

adjustments within the FZ. At this point, however, our concern is not so much with what is immediately practicable as with what is ultimately desirable. From this perspective, we clearly favour the revolutionary blueprint. Indeed, we are of the opinion that in view of the serious negative political and economic consequences of the FZ system on the African states concerned, this system must necessarily be overhauled. The new system should be inspired from the pan-Africanist blueprint outlined above, and should aim at the total economic and political integration of the African continent. Whatever the technical, economic and political constraints and difficulties that its actual implementation might face, we are firmly convinced that the setting up of such a system constitutes a necessary prerequisite to the genuine and complete economic independence of the African states.

Development and dependency in the Dominican Republic

The Dominican Republic is a rich country populated by poor people. The national territory is blessed with a variety of mineral resources, with fertile soils, with plentiful fish and fowl and forests, and with an equable climate; but its people, ingenious and industrious though they be, have benefited little from nature's bounty.

Although the country ceased to be held formally as a colony in the nineteenth century, it has been, along with most other Caribbean states, economically appended and politically subordinated to some external power throughout its history. Since the turn of the century, the relevant external power has been the United States. The nature of the republic's dependence has meant that the most important decisions as to what would be produced, at what level of production, with what technology and mix of capital- or labour-intensity, and how and where major products would be marketed would be made beyond its borders and without reference to the needs of its people.

Consequently, the nation's economy, as it has evolved, is unbalanced and fragile. Although impressive advances have been made in the last two decades in industrialisation and economic diversification, and some sectors—mining, manufacturing, tourism, and banking, for example—have become highly modern, the country remains heavily reliant on markets and prices it cannot control, on loans it cannot repay, and, increasingly, on imported food it cannot afford. Meanwhile, though emigration to more prosperous areas, particularly Puerto Rico and the United States mainland, has provided some relief for the now chronic problems of unemployment and underemployment, the ranks of the unemployed continue to be swelled by illegal immigration from even less fortunate Haiti.

The republic has experienced spurts of economic growth. But few Dominicans would equate such growth, as measured in GNP or per capita income, with the sort of development that remains a broadly shared popular goal. Such a concept of development embraces equity as well as accumulation, choices and opportunity as well as occupation and sustenance, a sense of individual worth and dignity as well as national

pride, and some degree of control over personal and national destinies.

Having suffered for so long from the lack of genuinely domestic and popular political institutions, many Dominican leaders had come to believe that with fraud-free elections and majority rule they would be able to move from economic dependence to interdependence and to begin to satisfy the basic needs of the population for nutrition, shelter, health care, education, and jobs. But the economy's downward spiral since the reintroduction of constitutional rule in 1978 has dashed those hopes. The predominantly urban, labour-based Dominican Revolutionary Party (PRD) has failed miserably in its attempts to deal with the economic crisis, and its failure has generated doubts that democracy can long survive in the quicksand of an externally dominated economy.

The political context

The thirty-one-year dictatorship of General Rafael Leónidas Trujillo, who rose to power through command of the constabulary established during the US occupation, left no aspect of national life unscathed. No political institution had any domestic base independent of Trujillo and his thugs. Politicians such as Joaquín Balaguer, who had associated themselves with the regime, were widely discredited, especially among the educated in urban areas. Those like Juan Bosch, who had fled into exile, remained untainted but also unschooled in the grisly reality of Dominican politics. Thus, both Bosch and Balaguer, the towering *audillos* of the post-Trujillo era, were rendered ineffective as national leaders by the legacy of that awful tyranny.

After Trujillo's death in 1961, Balaguer, who was serving as puppet president, yielded to pressures from the Kennedy Administration and from the Dominican population and stepped down. Power was transferred to a Council of State, which scheduled elections in 1962. The elections resulted in a solid victory for Juan Bosch and his centre-left Revolutionary Dominican Party (PRD), but after only six months in office, Bosch was overthrown. The country's traditional reactionary forces—in particular, the oligarchy, the military, and the Church—had united to bring down the PRD government and to dominate the so-called Triumvirate government that succeeded it.

In April 1965, the Triumvirate was itself toppled by an uprising dominated by pro-Bosch, or Constitutionalist, forces. A civil war ensued, as reactionary elements of the military, encouraged by US

military advisers, launched an attack against the Constitutionalist and their PRD civilian supporters in Santa Domingo's poorest neighbourhoods. Facing the prospect of a victory by the pro-Bosch forces, the US President, Lyndon Johnson, sent in the marines. In elections in 1966, supervised by the US Marines and their military cohorts from a few other Latin American countries, Balaguer and his Reformist Party (PR) soundly defeated Bosch and the PRD. Balaguer was re-elected in 1970 and 1974 in elections boycotted by the PRD and most other parties.

Defying the odds of time and fortune, the *caudillos* remained very prominently on the scene in 1985 and continued to command the political loyalty of a great many Dominicans. Nevertheless, as a practical matter, the mantle of leadership had passed to another generation. This generation came of age with the death of Trujillo. The popular uprising and US intervention of 1965 represented at once its finest hour and its saddest. During the subsequent long reign of Balaguer, virtually all political activists, including some now aligned with him, suffered death threats, narrow escapes, detainment and deportation. They learned both to accept risk and to exercise caution.

It was a moderated and subdued PRD that contested and won the elections of 1978. Even so, military officers seeking to block its accession to power backed down only after the Carter Administration interceded in support of the democratic process. As Bosch had defected to form another, more leftist, party, the Dominican Liberation Party (PLD), the PRD's standard-bearer this time was Antonio Guzmán, a wealthy rancher.

Guzmán opened up the system, eliminating restraints on civil liberties and urging respect for human rights. He also purged some of the most highly politicised and reactionary military officers and reorganised the armed forces. He pledged to rein in runaway corruption, to promote economic growth and modernisation, and to provide long-neglected social services. His political position was weak, however, as he encountered fierce opposition from within his own party as well as from Balaguer's PR. And his assumption of power coincided with a steep economic decline. The sugar market had gone limp. Most other exports were in low demand as well, and petroleum, all of which had to be imported, was scarce and expensive.

A bad situation was made worse by a devastating hurricane in 1979. Thus, social services continued to be neglected, and economic development programmes were sustained only at the expense of a

sharply mounting foreign debt. Corruption scarcely abated. In fact, it is generally believed that it was embarrassment over his own daughter's involvement in shady deals that drove Guzmán to suicide shortly before the end of his term. Meanwhile, Senator Salvador Jorge Blanco, one of Guzmán's arch-enemies within the PRD, had been elected to the presidency for the term beginning in 1982.

Jorge Blanco had no considerable popular following of his own, but he brought to the presidency the reputation of a serious and honest lawyer-politician with a constructive programme. He pledged to maintain and strengthen the social and political liberalism introduced by his predecessor; to stem the tide of corruption, to which the PRD itself had fallen prey; to trim the size of the bureaucracy, which had mushroomed under Guzmán; and to expand services and protection to the disadvantaged majority. Sandly, it has been in the nature of things—the urgency of majority needs, the scarcity of national resources, the extent of private greed, the omnipresence of military intimidation and US guardianship, and the crushing pressures from foreign creditors that Dominican presidents rarely leave office with their political stock intact. Economic and political circumstances largely beyond his control combined with the weaknesses of his own administration to make Jorge Blanco's presidency a troubled and disappointing one.

The social context

Race and class

The Dominican population is deeply divided by race and class. In the early 1980s, the wealthiest 6 per cent of the population disposed of about 43 per cent of total national income, while the poorest 50 per cent shared only 13 per cent of that income.¹ Racial distinctions are hardly clear-cut, but the population is said to be about 16 per cent white, 11 per cent black, and 73 per cent mulatto. There is also a small number of orientals, but scarcely a trace remains of the indigenous Arawak population. Though racial discrimination has never been so extreme in the Dominican Republic as was the case until recently in the US South, there is no mistaking the gradations of colour from dark to light as one moves up the socio-economic pyramid.

¹ Howard J Wiarda and J Kryzanck, *The Dominican Republic: A Caribbean Crucible*. Boulder, Colorado: Westview Press, 1982, p 52.

The gentry and the new rich

Members of the white upper class are descendants primarily of Spaniards, who came in several waves between 1492 and the Spanish recolonisation of the 1860s. The Spaniards implanted their language, religion, and culture, and most subsequent immigrants, particularly the large number of Italians and Maronite Christians from the Middle East who arrived between the 1870s and World War I, were assimilated.² The early Spanish settlers hardly constituted an aristocracy. They were not wealthy, even by the standards of their time. But many did hold land and, until 1822, slaves, and they were highly race-conscious. Later immigrants from Spain and other parts of Europe tended to be less conscious of race. Men who arrived without families cohabited with black women, giving rise to a predominantly mulatto population.

The beginnings of an aristocracy were to be found in the Cibao region in the later part of the nineteenth century. Refugees from Cuba's long independence struggle, many of them highly skilled, settled in that region, intermarried with the white Dominican landowning class there, and built a thriving economy based on the export of tobacco. They also established Santiago as the country's cultural capital.

Other Cuban refugees settled further south, in the vicinity of Santo Domingo, where the terrain was more suitable for growing sugar-cane. The sugar industry continued to prosper after the tobacco trade declined, and Santo Domingo salvaged its position as the nation's commercial and financial as well as political centre. Nevertheless, Santiago maintained the reputation, and to some degree the power, represented in its full name, Santiago de los Caballeros (Santiago of the Gentlemen). Members of the Santiago aristocracy have continued to be prominent in public life.³

Traditional landowning families, from Santiago and elsewhere, have established interests in business and industry to complement their agricultural interests. But new layers of economic elites have emerged with each period of sustained economic boom. Thus there is an industrial and commercial elite that came into being during the Trujillo years and an even newer rich class—in light industry, banking and tourism, for example—that emerged during the 1970s. The newer elites

² Immigration to the Dominican Republic has been continuous in the twentieth century. One group of settlers that, although largely assimilated, maintains its identity, is the group of Jewish refugees from Hitler's Germany who settled at Sosua, on the north coast, in 1940.

³ Ian Bell, *The Dominican Republic*, Boulder, Colorado: Westview Press, 1981, pp 112–25.

include military officers and their families who profited from questionable dealings and outright corruption.

Economic elites both old and new made enormous gains in wealth and power during the Balaguer years, as the gap between rich and poor became a grand canyon. Eschewing formal channels and structures of business and government, these elites normally pursue their interests by taking advantage of networks of family and personal ties. Their perspectives extend well beyond the national society as their wealth derives directly or indirectly from international trade and investment and their taste runs to imported goods and cultural trends. Political arrangements among elite groups are generally reached in private, in country clubs or men's clubs or other gathering places of the wealthy.

The middle sector

The expansion of government and commerce, beginning during the Trujillo era, has generated an enormous increase in professional and white-collar jobs. The middle sector now constitutes some 15 to 20 per cent of the population, and its influence is increasing in politics as well as in the economy. This sector, drawing upon electoral support from—and the potential disruptiveness of—mobilised elements of the working and would-be working classes, has given substance to the rituals of the electoral and parliamentary systems and has been the prime beneficiary of the trappings of modern government.

The Dominican middle sector does not constitute an intermediate level of property holders. Nor do its representatives have other independent sources of wealth. Rather, it is a salaried sector, dependent upon the continuous expansion of commerce and government. Thus it is, on the whole, highly insecure in both income and status, and its political behaviour tends to be erratic compared to the behaviour either of elites or of manual labourers.

Representatives of the sector who occupy the leading roles in government and other social institutions as well as managerial roles in business tend to be white or nearly white, while mulattos of darker hues occupy middle and lower income and status roles within the sector. Exceptions to this rule, however, are found in the military and in electoral politics. As has been true in many other countries, the armed forces and electoral politics have constituted avenues for the social mobility of poorer and darker individuals. Electoral politics, however, as substance rather than fraud, has a short history. The road to power has generally run through the military, and it is no coincidence that the

Dominican Republic has had more black and mulatto presidents than any other nation in the Hispanic world.⁴

Though the lower margins of the middle sector are not easy to delineate, this sector generally differs in attitudes and behaviour patterns as well as in occupations and income levels, from the massive lower class. Members of the middle sector tend to be ambitious and pretentious, adopting to the extent income allows the tastes of the rich. They enjoy greater family stability than is common in the lower class, and they are highly conscious of family background and of race and colour. Unlike the elites, however, most members of this sector cannot afford to be addicted to imported goods; therefore, they constitute the domestic market for the products of domestic light industry.

The poor majority

The relative affluence of the Dominican upper and middle classes is built upon the abject poverty of some 75 per cent to 80 per cent of the population. This deprived majority is mulatto and black, its black antecedents having come directly from Africa as slaves, or in later migrations from Haiti, the British West Indies, and the US mainland.⁵ Most Dominicans are undernourished. A study released by the Dominican Planning Agency in 1978 indicated that the diets of 75 per cent of the population were inadequate and that 50 per cent had seriously deficient diets. Only 55 per cent of the population has access to safe water.⁶ Chronic unemployment affects about one-fourth of the labour force and half of the force is generally underemployed. In early 1985 unemployment was running higher than 30 per cent.

In the shanty-towns that surround Santo Domingo, the tiny makeshift houses of wood and tin typically lack electricity and running water. Open sewers spread disease among children already weakened by malnutrition. As peasants escaping the even more dismal rural areas swelled the ranks of the urban poor in the 1970s, housing and services deteriorated even further.

⁴ Wiarda and Kryzanek, *op. cit.*, p 52.

⁵ The Anglican Church, established by immigrants from the former British West Indies, is still strong in several areas, particularly along the eastern coast. Services are now conducted mainly in Spanish, however. In the area of San Pedro de Macoris, on the southern coast east of Santo Domingo, descendants of runaway slaves from the United States maintain some of their distinct customs. (Bishop Telesforo A Isaac, head of the Dominican Anglican Church. Interview. Puerto Plata, 12 January 1985.

⁶ Robert W Mashek and Stephen G Vetter, *La Fundación Interamericana en la República Dominicana una década de apoyo a las organizaciones de desarrollo locales*, Rosslyn, Virginia: Fundación Interamericana, 1983, p 14.

Urban poverty, juxtaposed against ostentatious wealth, has been a cause of embarrassment and occasionally of fear for some upper and middle class Dominicans. The urban poor have been the PRD's most reliable base of support. They fought and died for the Constitutionlists in 1965, but in 1984-85 they rioted over price increases for staple commodities imposed by a PRD government. The rural poor have not resorted to violence on any significant scale since the US occupation in the 1920s, but their desperation has been expressed in massive migration, first to provincial towns, then on to the larger cities. Such migration generally results in the atomisation of families.

The rural poor typically live in tiny houses of mud and thatch or wood or in the barren field camps (*bateyes*) of the sugar plantations. Services and social amenities are virtually non-existent. Only four of the country's twelve hospitals with more than 300 beds are outside of Santo Domingo. Despite the efforts of government and development agencies, clinics and schools remain few and far between.⁷ About 80 per cent of the rural population is illiterate and unemployment sometimes runs as high as 50 per cent. Life expectancy, at sixty-two years for the nation as a whole, is ten years shorter in rural areas.

Arable land is scarce and highly concentrated; 75 per cent of the farmers hold less than 15 per cent of the land. It is also poorly managed. Production per hectare is among the lowest in Latin America. Wealthy landowners keep much of their fertile land as pasture, producing beef for export or for the 4 per cent of the domestic population who can afford it.⁸ Landholdings that are not highly concentrated are instead highly fragmented in *minifundios*. There is almost no middle ground. Most peasants are landless or own plots too small or barren to feed a family.

Those who find work on large plantations may earn the rural minimum wage—5 pesos daily in early 1985 (considerably less than the urban minimum of 175 pesos monthly, or about 8.75 daily)⁹ but generally for no more than six months of the year. Most landowners hire fewer than ten field hands and thus are not bound by minimum wage or other labour legislation. Even the government is generally guilty of

⁷ Carlos Villaverde, Director, Centro Dominicano de Estudios de la Educación (CEDEE) Interview, Santo Domingo, 8 January 1985.

⁸ Noam Chomsky and Edward S Herman, *The Washington Connection and Third World Fascism*, Boston: South End Press, 1979, p 251.

⁹ The peso was pegged at about three to one dollar on the parallel market during most of 1984. In February 1985, the official peso-dollar parity was eliminated entirely, and the parallel rate became official.

paying less than the minimum wage to the mostly Haitian cane-cutters on its sugar plantations.¹⁰ Most peasants, whether they work for themselves or for a patron, have no old age pensions and no protection against unemployment, crop failure, natural disaster or disability. Government-sponsored crop insurance became available in 1984, but only for sizeable crops. Rural unions are rare, and where they exist they are generally even weaker than their urban counterparts. Strikes on the major plantations have often been broken by the police or the armed forces.

Land reform measures legislated by the short-lived Bosch government (February–September 1963) were weakened by the government of Balaguer (1966–78), and even the limited reforms sought by Balaguer were fiercely opposed by landowners. The Dominican Agrarian Institute, established in 1962, had distributed land from state holdings to about 67,000 families by 1980, but that was a drop in the bucket given the needs of almost half a million rural families. Furthermore, the land distributed to peasants was generally of low productivity. The best parcels had been acquired by military officers and other government officials.

In general, the distribution of land to peasant families was not accompanied by the extension of credit or technical assistance. An agrarian bank was established to make loans to small farmers, but it was undercapitalised and could not begin to meet the needs. Meanwhile, the prices of imported seed and fertilisers have soared as the peso has been devalued.¹¹

At the bottom of the social and economic heap were the Haitian labourers. Since 1952, bilateral agreements between the Dominican and Haitian governments have regulated the importation of Haitian cane-cutters for employment on the large state-owned sugar plantations, generally for six-month periods. About 20,000 cross into the Dominican Republic each year legally, but it is estimated that another 60,000 cross each year illegally. These Haitians have no civil rights and often work in conditions bordering on slavery. Like Mexican workers in the United States, they become scapegoats when the economy fails and there are widespread popular demands to block their entry or to expel those who have settled in the Dominican Republic.

¹⁰ Yvette Sabbagh, sociologist, Centro de Estudios de la Realidad Social Dominicana (CERESD) Universidad Autónoma de Santo Domingo (UASD). Interview, Santo Domingo, 7 January 1985.

¹¹ Villaverde, Interview.

A people on the move

The Dominican population is fast-growing and young. Despite an average national life expectancy of only sixty-two years and an infant mortality rate of 73 per 1,000, the country's annual population growth rate has been quite high. Estimates for the 1960s ranged from 2.9 per cent to 3.5 per cent. By 1981 the rate had dropped to 2.4 per cent. Still, rural families had an average of 6 children each, and almost half of the national population was younger than fifteen.¹²

The national population, about 6.3 million in the mid 1980s, was only 3 million in 1960. Then the population was predominantly rural, but the ratio of urban to total population increased from 30 per cent to 54 per cent between 1960 and 1980. Santo Domingo, with 1.3 million inhabitants, accounts for about one-fifth of the national population. Santiago, in the fertile valley of the Cibao, is the second largest city, with 400,000 residents.

For unhappy reasons, Dominicans are a people on the move. Rural-urban migration began in earnest in the 1930s and has steadily gathered momentum. Landless peasants, fleeing the hopelessness and boredom of the countryside, make their way first to the nearest town and ultimately to one of the larger cities, mainly Santo Domingo. Working-class families who had been in the cities and towns for several generations are outnumbered now by newcomers from the countryside.

Few, however, find their fortunes in the cities. City-dwellers also find opportunities scarce, and professionals and workers alike migrate in large numbers, particularly to Puerto Rico and to the US mainland. It has been estimated that, by the mid-1980s, 800,000 Dominicans had migrated to the United States. At least half of them were in New York City and another 200,000 or so were in San Juan. Meanwhile from neighbouring Haiti, where economic conditions are even worse, desperate workers, documented or otherwise, continue to pour over the borders into the Dominican Republic. Their numbers were estimated at 100,000 in 1983.¹³

Migration is an important factor, but only one of several factors that cause instability in the family unit among the poor majority of Dominicans. Common law unions have long been the rule rather than

¹² Paul B Goodwin Jr (ed) *Global Studies: Latin America*, Guilford, Conn.: The Dushkin Publishing Group, 1984, pp 176-7.

¹³ *Ibid.* See also Mashek and Vetter, *op. cit.*, pp 13-14, and Tom Barry, Beth Wood and Deb Preusch, *The Other Side of Paradise: Foreign Control in the Caribbean*, New York: Grove Press, 1984, p 291.

the exception, particularly in rural areas. Marriages may be civil or religious or both, but priests are scarce in rural areas and civil marriages would require at least two trips to the nearest town. Since legal questions are likely to arise only when property is involved, the 75 per cent to 80 per cent of the population who have virtually no property have little incentive to formalise their unions. These unions may nevertheless be permanent, and several decades ago family relationships in rural areas were more stable than those in cities. But that is no longer the case. The push from the countryside and the pull of the town affect both men and women.

It is estimated that only 20 per cent of all cohabiting couples in the Dominican Republic are legally married.¹⁴ Among the poor, cohabitation, whether or not it involves a marriage, is often temporary. Many households are headed by women; mothers provide continuity for their children who may have different fathers. Within the past decade, upper- and middle-class women have made considerable progress in integrating business and the professions, and they have begun to assert themselves politically as well. Lower-class women, however, continue to have enormous responsibility without authority.

Economic growth and diversification

The Dominican economy has suffered in exaggerated form from the problems of uncertainty and dependency and from the deterioration in the terms of trade for producers of primary products that have plagued the Third World generally and Latin America in particular. Sugar-cane cultivation was introduced to the island by Columbus himself, and the problem of the concentration of landholdings on the one hand and increasing landlessness on the other dates to the arrival of the earliest settlers. Nevertheless the republic's economy was based essentially on subsistence agriculture until the Trujillo era. Trujillo transformed the economy for his personal advantage and coincidentally left behind an export-oriented economy heavily dependent on sugar. Sugar dependency has put the economy on a roller-coaster, reaching occasional highs of prosperity only to plunge once again to depths of debt and despair.

Economic growth since the early 1960s has been erratic but substantial. Between 1960 and 1980 real per capita income rose from

¹⁴ Bell, *op. cit.*, pp 130-2.

\$513 to \$1,050, while gross domestic product rose from \$1.8 billion to \$5.7 billion.¹⁵ After 1980 the Dominican economy, along with that of the United States and of much of the rest of the Western world, slipped into recession.

Growth has generally come in spurts. There was a spurt in the late 1960s induced largely by US aid and investment, as the US government sought to show that its military intervention had been beneficial and US investors rushed to take advantage of new incentives. The average of 5 per cent annual growth in the 1970s represents a levelling of the peak of 9 per cent to 10 per cent growth in 1974–75, resulting from high sugar prices, and the trough of 1978 when low sugar prices and the soaring cost of imported oil combined to produce economic decline. The price of sugar has continued to sink in the 1980s. From a high of 76 cents a pound in 1975, it has dropped by 1985 to about 4 cents a pound, less than half of the cost of production.¹⁶

All governments since the early 1960s have sought to diminish the country's dependence on sugar, and considerable diversification has taken place, both within the basket of agricultural exports and in the economy as a whole. Sugar declined, during the 1970s, from 48 per cent to 35 per cent of all exports, while exports of coffee, cocoa and tobacco increased to account for about 30 per cent. Perhaps more importantly, under the Guzmán government, in 1979, the country became self-sufficient, for the first time, in rice and beans, the staples of the Dominican diet. The Guzmán government had placed a high priority on the expansion of food production for domestic consumption and the retardation of migration from the countryside to the cities. That self-sufficiency was only temporary, however. The country is generally close to self-sufficiency in rice, but remains, in most years, a net importer of beans.¹⁷

Almost half of the work force was still in agriculture in the early 1980s, but agricultural output had declined in the previous two decades from 26 per cent to 17 per cent of the gross domestic product. Governments had consistently given priority to industrialisation, and manufacturing had grown from less than 1 per cent of GDP to 18 per cent. Industrial growth was particularly notable in sugar refining,

¹⁵ Mashek and Vetter, *op. cit.*, p 13.

¹⁶ Roger Lowenstein, 'Gulf and Western pullout stuns Dominicans', *The Wall Street Journal*, 18 June 1984, p 26.

¹⁷ Aaron Ford, agriculture officer, US Agency for International Development, Interview, Santo Domingo, 8 January 1985.

textiles, pharmaceuticals, and cement. Exports from the light industrial sector now account for up to one-fourth of the country's foreign exchange earnings. New government agencies have been created to finance industrial development and to seek new markets for Dominican products.

Mining has also of late become an important activity. After the obscene clamour for gold by the *conquistadores* and early settlers, the island's mineral resources were virtually ignored until the last few years of Trujillo's reign. The exportation of bauxite was begun in the late 1950s, but it was not until the late 1960s that nickel became an important export. The country's newest mineral export—newest, that is, since it was last exported in the 1520s—is gold. Gold, in alloy with silver, has been exported since 1975. At the beginning of 1980, gold, or *doré* as the alloy is known, became the republic's most valuable export, but the gold market weakened later in the year. Nevertheless mining, led by ferronickel, continued to account for about one-fourth of total exports.

Tourism is another of the country's booming new industries. Until the 1970s, tourism was scarcely significant as a source of foreign exchange, but during that decade the number of tourists visiting annually more than tripled, rising to about half a million. The tourist industry has generated thousands of jobs though mostly low-paying ones, and has had important spin-offs for construction and other industries. It has also spurred government investment in infrastructure, particularly in the construction of roads and airports and the modernisation of the old city centre of Santo Domingo and the old port, Puerto Plata, on the North Coast. INFRATUR, a government agency created in 1971, supervises expenditures related to the promotion of tourism. President Guzman created a new cabinet position for the oversight of tourism, and the Jorge Blanco government has made the promotion of tourism one of its highest priorities.

As has been mentioned, the new prosperity of the 1970s was narrowly disbursed. It made the old rich richer, created new categories of new rich and expanded the middle class, but it did not trickle down to the poverty-stricken majority. This was in part a consequence of policy decisions rather than of policy failures. For the large contingent of state employees, wages and salaries were frozen by government edict. For most other categories of workers, wages were depressed as a consequence of high levels of unemployment and the repression of organised labour.

Much of the new industry was capital-intensive, so that the number of

new jobs created was not nearly equal to the number of would-be workers entering the labour force. Furthermore, rapid economic growth generated inflation. The single- and double-digit levels of inflation the country has experienced in recent years seem mild compared to the triple-digit inflation experienced in some other Latin American countries, but such inflation was devastating to those whose wages were frozen, not to mention to the half of the population that was unemployed or underemployed. Furthermore, with the introduction in the early 1980s, at the behest of the IMF, of the floating parallel rate of exchange for the peso, inflation was mounting rapidly. It was officially pegged at 34 per cent for 1984, but government calculations underestimated the real burden of inflation.¹⁸

Finally, the system of taxation did nothing to redress imbalances; in fact, it made things worse. Personal income taxes, ranging from 2 per cent on salaries to 10 per cent on real estate earnings, are among the lowest in the hemisphere, and only a fraction of those eligible actually pay. Corporate taxes range from 10 per cent to 49.4 per cent, but both personal and corporate tax laws are full of loopholes. Income taxes account for no more than one-fourth of the total tax burden. The remainder are import and export levies, excise taxes, licence fees, and, since 1983, value-added taxes—all taxes that are ultimately passed on to the consumer. Furthermore, citizens who can afford to pay in other ways—e.g., private schools, private security guards—do so in order to compensate for the inadequacy of public services.

Dependency and development

The growth and modernisation of the Dominican economy since the 1960s have been impressive, but such growth and modernisation have been largely fuelled and controlled by foreign—mainly US—companies and by US markets and suppliers. The US supplies about half of the republic's imports and purchases about two-thirds of its exports. It follows that the republic's options have been severely limited and that factors other than the public interest and welfare of Dominicans have often governed economic decisionmaking.

The Dominican economy was already linked to that of the United States through trade and US loans and investments before the turn of

United States Embassy, Santo Domingo, 'The Dominican Republic: Investment Climate Report', December 1984.

the century and the links were drawn tighter, of course, during and after the US occupation of 1916–24. But the new wave of US investment dates to the mid to late 1960s when constitutional obstacles, including limitations on the foreign ownership of land, were removed or modified; labour was pacified; a range of incentives were offered to investors by both Dominican and US governments; and US public assistance financed infrastructure projects that were helpful to business.

Foreign investment has been heaviest in agribusiness and food processing but has also increased sharply in mining, tourism, light industry, banking, insurance, and real estate. In the early 1980s there were some 125 subsidiaries of US firms operating in the Dominican Republic many of them in one of the country's four tax-free zones.¹⁹ Many more US investors have small business holdings. US-based corporations accounted for about two-thirds of the total registered foreign investment. Canadian-based ones for about one-fourth. (Falconbridge, owner of the nickel mine at Bonao and thus the second-largest private investor in the republic, is registered in Canada but its major shareholders are US-based.) The only other country having a high level of investment was Britain. Among US firms, the heaviest investors were Exxon, Texaco, Citibank, GTE, Atlantic Richfield, Colgate-Palmolive, Wometco, Philip Morris, and, until January 1985, the giant among US multinationals, Gulf and Western.²⁰

Gulf and Western had more than \$200 million invested in some ninety businesses in the Dominican Republic. It was the country's largest private landowner, with about 8 per cent of all arable land, and its largest employer. The centrepiece of Gulf and Western's Dominican empire was the sugar plantations and refinery complex—the country's largest—at La Romana, which Gulf and Western acquired from the South Puerto Rico Sugar Company in 1967.

Gulf and Western also maintained a 350-room seaside resort at La Romana. In 1969 Gulf and Western took over management of a large tax-free zone adjacent to its Cajuiles golf course. Foreign companies settling within the zone enjoy duty-free import and export privileges and a ten-year tax-free status. The zone is surrounded by a high fence

¹⁹ The US-based owner of a factory in one of the tax-free zones, who asked not to be identified said that his Dominican operations were 20 per cent more productive than similar operations in the Far East. His workers' base pay was 40 pesos a week (about \$2 a day). They could earn up to another 140 pesos a week in piece-work, but piece-work pay carried no fringe benefits. The furniture toys made in his factory were sold to a Norwegian cruise liner for 8 to 10 dollars a dozen. They retailed on the cruise for 8 to 10 dollars each.

²⁰ Barry, Wood, and Preusch, *op. cit.*, p. 297.

topped with barbed wire and its entrances are guarded by national police as well as customs agents. US AFL-CIO officials who visited the zone in the late 1970s said it had the air of a 'modern slave-labour camp'. They believed that its controlled access was designed primarily to thwart labour organisation efforts. In fact, an organising effort in the mid-1970s had been broken by police and troops armed with submachine guns.²¹

Global annual sales of Gulf and Western are larger than the GNP of the Dominican Republic, and the Dominican government was left in a poor bargaining position when it came to the mobilisation of professional manpower and influence. The company cultivated good relations with military and police officials, relations which were useful in maintaining labour peace. It was accused of employing repressive tactics against labour leaders and political antagonists and of outright bribery. It had been engaged in a running dispute with PRD governments since 1978 over tax evasion and other irregularities in which the Balaguer administration allegedly connived.²² Even the US Securities and Exchanges Commission (SEC) alleged that Gulf and Western withheld millions of dollars it owed to the Dominican government,²³ that it made 'questionable' payments through foreign subsidiaries, and that it entered into a secret agreement with Dominican government officials to speculate in sugar.²⁴

Thus, Gulf and Western was an obvious target for nationalistic resentment. Nevertheless, it was readily conceded that the company was less miserly with its employees than were many domestically owned firms and that, in fact, it treated its cane-cutters far better than the government did the unfortunate Haitian contract labourers. Furthermore, the company sponsored a social development programme, providing housing, clinics and schools for its workers, and it was generally believed that the company's international president, Charles Bluhdorn, and his family had taken a special interest in the country. At any rate, to Dominican nationalists Gulf and Western was at least a known adversary. Therefore, the news that Gulf and Western was selling off its Dominican properties was generally received with disquiet rather than relief.

²¹ Chomsky and Herman, *op. cit.*, pp 246-9.

²² Bell, *op. cit.*, p 368.

²³ Wiarda and Kryzanek, *op. cit.*, p 78.

²⁴ Pamela G Hollie, 'Gulf and Western to sell Dominican holdings', *The New York Times*, 13 June 1984, pp 1, 39.

After Bludhorn's death in early 1983, Gulf and Western's new president, Martin S Davis, decided that the company would concentrate on high-return consumer products, leisure businesses and financial services and divest itself of several major lines of business. The decision to sell the Dominican properties was announced in June 1984. It was said to be based on the discouraging long-term prospects for sugar exports as well as on a decision taken the previous month by the Dominican government; the government, desperately low on foreign exchange reserves, required exporters to turn in their dollars for local currency at an artificially low rate of exchange.²⁵

It was announced in October 1984 that a purchase agreement had been reached between Gulf and Western and the Fanjul family of Florida. The transfer of ownership was completed in early January 1985. The group of investors, who acquired Gulf and Western properties in Florida as well as in the Dominican Republic, is headed by the Fanjul brothers, Alfonso and Pepe, Cuban-Americans whose family had been producing sugar in Florida through the Osceola Farms Company. Other investors in the Fanjul group include the Flo-Sun Land Corporation and other Florida-based agribusiness firms and a Dominican group that had been involved in local management of Gulf and Western properties, including Carlos A Morales Troncoso, president of the Americas Corporation.²⁶

Morales Troncoso is to retain the titular presidency of the umbrella corporation, and the new owners have announced no major changes in the management of the former Gulf and Western properties. Nevertheless, the transaction has left officials of the PRD government and other Dominican political leaders uneasy. They fear that the Gulf and Western pull-out might discourage other potential investors and that the anti-Castro militance of the Fanjuls and their associates might result in activities and decisions based on political rather than business criteria.

Of course, Gulf and Western and now its successors in the Fanjul group have been only the largest sources of anxiety. The behaviour of other foreign corporations and subsidiaries has been equally unaccountable and, in some cases, arrogant. Falconbridge, the country's second-largest foreign investor, has been engaged since the mid-1970s in a dispute with the government over taxes and has

²⁵ *Ibid.*, and James M Hawley III, Economic Counsellor, US Embassy, Santo Domingo Interview, 9 January 1985.

²⁶ 'Gulf Termina pasos venta sus intereses azucareros', *El Caribe* (Santo Domingo), 10 January 1985, p 1.

periodically threatened to close its nickel mine if the government pressed its claims. Philip Morris, in the 1970s, according to an SEC report, made a \$16,000 payment to a Dominican tax official; made payments amounting to \$120,000 to various Dominican legislators for passage of an advantageous law; and made monthly payments of \$1,000 to Balanguer himself.²⁷

The corruptive influences exercised by foreign companies represent only one of the detrimental aspects of the republic's circumstance of economic dependency. Dominican prosperity has been contingent from year to year upon the size of its sugar quota in the US market and upon other import quotas and fees based on considerations of US domestic and foreign policy with little regard for Dominican needs. Uncertainty about the US market coupled with the wildly fluctuating price of sugar has rendered economic planning and forecasting almost futile.

Dominican export prospects became much brighter after the Cuban revolution when the US stopped importing Cuban sugar. Since then the Republic has exported more than 85 per cent of its sugar to the US and has provided the US with most of its imported sugar. In 1982, however, the Republic was dealt a severe blow when, in response to lobbying by US sugar growers, the Reagan Administration instituted a new system of duties and quotas to restrict sugar importation.²⁸

While prices and markets for its own products have been uncertain, there has been a devastating certainty in the steady climb of the costs of imports essential to industrialisation—imports of capital equipment as well as of raw materials for the production processes. This had led to increasingly serious balance-of-payments problems. The current account has not had a surplus since about 1967, and the deficit in the early 1980s was hovering around \$100 million.²⁹

The cost of imports is hardly offset by tax revenues from foreign holdings and the profits of foreign enterprises. In order to maintain a competitive advantage in attracting foreign capital, the republic must offer generous tax holidays, high ceilings on profit repatriation and other incentives and subsidies.³⁰ It must also invest its own scarce

²⁷ Chomsky and Herman, *op. cit.*, p 246.

²⁸ Barry, Wood, and Preusch, *op. cit.*, p 293.

²⁹ Ruben Berrios Martinez, 'Dependent capitalism and the prospects for democracy in Puerto Rico and the Dominican Republic', pp 327-39 in Paget Henry and Carl Stone (eds), *The Newer Caribbean: Decolonization, Democracy and Development*, Philadelphia: Institute for the Study of Human Issues, 1983.

³⁰ Companies that set up manufacturing operations in the free zones, for example, benefit from government subsidies and at the same time are 100 per cent exempt from Dominican income taxes and duties.

revenues in infrastructure projects beneficial to investors. The revenue gap can be bridged only by borrowing, even in times of soaring interest rates. (By 1985, the foreign debt had climbed to almost \$3 billion). Thus, the price of development, or modernisation, for an economy so heavily dependent on foreign markets and suppliers, foreign investors and foreign creditors is chronic insolvency. Such insolvency means, of course, that the needs of the general population for social services and welfare will not be met.

Dependent development also means, as we have seen, the decline of traditional activities, such as subsistence farming, the absorption or displacement of domestic enterprises and the inhibition of domestic entrepreneurship. It means production for a limited domestic market and capital-intensive industrial processes that do little to alleviate unemployment. Unemployment and low wages inhibit the development of a domestic market, thus maintaining the model of production only for export and for the affluent few. Finally, over time, it means the suppression of national culture and the transplantation, in its place, of an alien culture and way of life.

Conclusion: a hollow victory

Is broadly beneficial development possible in a context of extreme economic dependency? Is political development sustainable in the face of economic deterioration? Final answers are not in, even in the Dominican case, but the Dominican experience thus far leaves us little room for optimism. The opening of the political system coinciding as it has with a virtual closing of the economic one, has been for the poverty-stricken majority a hollow victory.

Many of the legislative proposals of the PRD government have been far-sighted and humane, but the economic crisis has made a mockery of them. Among the more specific development goals articulated by the republic's popularly elected presidents since 1978 have been rural resettlement and technical assistance to small farmers so as to increase domestic food production, raise rural incomes, and slow the pace of migration to the cities; diversification of economic activities and export industries so as to make the economy less vulnerable to price fluctuations in world markets, particularly for sugar; attraction of foreign capital so as to accelerate the creation of jobs, but under the conditions that preserve a measure of local control; the further exploitation of hydroelectric power and the search for other domestic

sources of energy; and the expansion of social services and welfare programmes. The more ambitious and more nearly revolutionary goals erected by the ruling Revolutionary Dominican Party (PRD) in its youth in the early 1960s have not been abandoned entirely, but they have been set aside for pursuit on a sunnier day.

Contemporary PRD governments have had some notable successes. The republic has become self-sufficient—at least during some years—in the production of its staple foods, rice and beans. Progress has been made in the promotion of tourism and in the construction of physical and institutional infrastructure to support new industries. Gold, from a mine owned by the state, has become an important addition to the export list. Several hundred new clinics and schools have been built, and literacy and vocational education programmes have been promoted.

Nevertheless, progress in most areas has been meagre at best. In fact, the good intentions, and in many cases good legislation, of the PRD have been virtually nullified by the lack of funds for implementation. *Many urgent problems have remained unattended, have resisted governmental solution, or have been aggravated by the recession that set in in the late 1970s.* Many government agencies and enterprises are virtually bankrupt, and new clinics and schools lack medicines and books. Deprivation and despair in the countryside, and in some areas the encroachment of agribusiness, continue to push peasants into the unwelcoming city. Even before the recession hit, the creation of new jobs in industry was failing to keep pace with the appearance of new job-seekers. Whereas in 1970 there were seven jobs for each one hundred urban dwellers, by 1977 there were only five jobs per hundred.³¹

Rising prices for imports, especially petroleum, falling prices for exports, and the consequent urgent need for more foreign credit in the face of servicing requirements for an already enormous foreign debt, have left the country in a chronic economic crisis. The IMF's austerity solution, which there as elsewhere in the Third World has been the price of keeping credit lines open, has meant cuts in wages and social services and increases in prices and working hours. As usual, most new hardships have been borne by the working and would-be-working classes rather than by the affluent.

The most promising developments in the Dominican Republic within the last two decades have occurred in the political sphere rather than in

the economic one. Those decades have seen tyranny and anarchy, military intervention, civilian uprising, US occupation, and government-sanctioned terror, but they have also seen the development of a modern political party, of the seeds of a labour movement, of organisation among women, students and others who presume to speak for the traditionally disadvantaged, and of new approaches to cooperation at the community level. Those decades have seen the beginnings of universal adult franchise and free elections. The period since 1978 has also seen progress in the subordination of the military to civilian authority and in the expectation that decisions of the electorate will be honoured.

Nevertheless, neither the government nor its congressional opposition has exhibited the resourcefulness and statesmanship demanded by the seriousness of the economic crisis. Thus the crisis, manifested in particular in periodic sharp devaluations and soaring prices for staple commodities, has resulted in rioting in several cities and in heavy-handed government countermeasures and has given rise to a concomitant political crisis.

PRD leaders are appropriately concerned that the sinking economy may be taking with it their popular support and their hope for remaining in government. But they hope that the public—even the younger generation that has not known the risks they assumed and the repression they endured—will appreciate what they have accomplished in the institutionalisation of democracy, of civil liberties and civic order, and that they will appreciate as well that the new liberal order is fragile and may be lost.

The explosiveness of the situation has caused unease among political leaders across the spectrum, and the example of turmoil in Central America has had a sobering effect on both Right and Left. Party leaders on the Left fear that rioting or other forms of civil disturbance on the part of the masses might lead to military intervention and violent repression. Civilian leaders on the Right fear that military intervention and violent repression might lead to revolution. Furthermore, there is a generalised fear that the economic crisis is beyond solution, that under the restraints imposed by the IMF not even the most honest, competent and committed government could bring relief.

As none of the major parties wishes to bear alone the blame for hardships seen as inevitable, there has been, at least on occasion, a certain drawing together of ideological poles. A predilection to compromise among political elites, however, is no consolation at all to

the masses of poor Dominicans, who appear to be increasingly alienated from all political institutions. If the country's newly legitimate political institutions fails utterly to protect the population from the vagaries of international markets, the arrogance of foreign investors, the impatience of foreign creditors and the rigidities of the IMF, the republic may yet revert to its earlier pattern of anarchy and tyranny or follow the path of Central America into endless cycles of insurgency and counter-insurgency.

From the ashes: the rebirth of the Philippine revolution—a review essay*

Not surprisingly, the Philippine left commands much attention these days. After all, it leads the only rising revolutionary movement in South East Asia, where left-wing organisations have suffered serious setbacks in Indonesia, Thailand, and Malaysia.

The attention comes from both friend and foe. At a time when China's revolutionary reputation has been besmirched by its dalliance with the US, Israel and South Africa, and the Western press has successfully cast a grey pall over Vietnam because of its presence in Kampuchea and the understandable dislocations created by socialist construction, the Philippine New People's Army (NPA) has joined the Sandinistas and El Salvador's FMLN-FDR in the front rank of the progressive movement's pantheon of contemporary heroes.

The growing concern displayed in counter-revolutionary circles, on the other hand, is accompanied by a curious mixture of loathing and respect. Typical of this is a recent assessment by a senior official of the Reagan administration. The leadership of the revolutionary movement,

* The following works are reviewed in this article: Amado Guerrero, *Philippine Society and Revolution*, Oakland, California: International Association of Filipino Patriots (This volume also includes Guerrero's *Specific Characteristics of Our People's War*); Francisco Nemenzo, 'The millenarian-populist aspects of Filipino Marxism', in *Marxism in the Philippines: Marx Centennial Lectures*, Quezon City, Philippines: Third World Studies Center, 1984; Francisco Nemenzo, 'Rectification process in the Philippine communist movement' in Joo-Jock Lim and S Vani (eds), *Armed Communist Movements in Southeast Asia*, Aldershot, England: Gower, 1984, pp 72-101; Francisco Nemenzo, 'An irrepressible revolution: the decline and resurgence of the Philippine communist movement', Manila, 1984, unpublished manuscript; US Senate Foreign Relations Committee Staff, *The Situation in the Philippines*, Washington, DC: US Government Printing Office, September 1984.

he told the press, 'is a group of several hundred dedicated, ideological, hard-bitten Marxist-Leninists [who are] very disciplined and quite able.'¹

Discovering the NPA

It was only after the Aquino assassination that the US government really discovered the New People's Army (NPA). After years of routinely repeating the Marcos regime's severely understated figures on NPA strength, the Pentagon sounded the alarm on 7 February 1984, when it informed the House of Representatives Subcommittee on Asia-Pacific Affairs that about one-fifth of the Philippines 40,000 villages were influenced by an estimated 10,000 NPA regulars. 'We do not know how many non-combatant NPA supporters there are among the Filipino people but NPA efforts to build more support in the countryside have been most impressive.'²

Surprised by the Pentagon's *volte-face* on the strength of the Philippine insurgency, the US Senate Foreign Relations Committee sent its own team to investigate the situation in the summer of 1984. *The Situation in the Philippines* is the product of that mission. Surprisingly, the document is a reasonably objective effort to assess the Philippine insurgency, although it does lapse now and then into anti-communist rhetoric.

In assessing the strength of the NPA, the authors imply, first of all, that they have to rely on the NPA's published estimates of its own strength, because 'Although there is no way of knowing for sure, many observers believe that the NPA claim more nearly reflects the true state of affairs.' Though not as frank in acknowledging it as the Senate staff, the Pentagon, CIA, and State Department have, in fact, engaged in the same practice of taking the NPA at its word. This underlines two things: first, as in Iran, a massive intelligence failure has characterised US efforts to understand the true scope of the insurgency; second, the NPA has a reputation for carefully estimating its own strength and assessing the correlation of forces between it and the government.

For US policymakers, the Senate report paints a bleak prospect. The insurgency keeps growing despite the fact that it is receiving 'little or no outside support'. It is widespread: the NPA units operate in sixty-two of

¹ 'Philippines insurgency cited', *Washington Post*, 9 February 1985.

² Testimony of John Kelly, Deputy Assistant Secretary of Defense, before House of Representatives Asia-Pacific Affairs Subcommittee, 7 February 1984.

the country's seventy-three provinces and 'challenge the AFP [Armed Forces of the Philippines] across the length and breadth of the Philippine archipelago'.

The authors cannot conceal their respect, if not admiration, for the enemy when they discuss the reasons why the insurgency has reached this point. They attribute this to three principal factors: a brilliant military strategy, superior image-building, and an innovative organisational principle.

The guerrillas' strategy of creating multiple guerrilla zones and bases throughout the Philippine archipelago instead of a few central base areas has had devastating consequences for the Philippine Army, since it has denied the latter the opportunity to mass its forces for concentrated attacks and stretched it to the breaking-point by forcing it to cover many small guerrilla fronts in the country's nine major islands.

The NPA's mass support among peasants is attributed, not mainly to terror, as in standard right-wing analysis, but to the fact that it 'has carefully and effectively cultivated the image of being a "Robin Hood"'. So effective have they [the guerrillas] been, in fact, that many local people we talked to even used the term when describing the NPA's activities.'

But it is for the NPA's organisational principle of 'centralized leadership and decentralized operations' that the writers reserve their highest—though understated—praise. This is not a movement that one can bait with the old anti-communist stereotype about politburos monopolising decisionmaking, thinking and initiative. The power of the insurgents, the authors discover, lies precisely in the fact that rank-and-file units are encouraged to think, decide, exercise initiative, and be creative . . . while carrying out the thrust of the overall military and political programme:

Operating successfully requires a high order of discipline as well as individual initiative. . . . Many we interviewed feel that this is one of the NPA's great achievements. They credit the NPA's national recruitment scheme for much of the success. It brings in both new intellectuals from the campuses and young people from areas under its influence, and tests them under battlefield conditions. The best of the new and old are then sent to expand the revolution into new areas.

However, the writers cannot allow themselves to be carried too far. One can give the devil his due, but he is, after all, still the devil. Thus, the text is interspersed with the usual anti-communist rhetoric which many pragmatic liberals and technocrats must resort to to keep their good

standing within an ideologically oriented right-wing administration. Thus, the NPA and the communists are depicted as external agitators who skilfully 'exploit local grievances'. 'Intimidation also plays an important role in the process' of winning support, the writers allege. The guerrillas 'cultivate' the image of being Robin Hood. Their 'calculated tactics' of executing informers and corrupt individuals and local criminals 'are contemptible and deserve condemnation'. And topping all this is what amounts to an act of faith rather than a statement of fact: the 'vast majority of Filipinos find communist ideology distasteful and NPA tactics abhorrent no matter how neatly they are packaged.'

Despite these flaws, the Senate report surely ranks as one of the first serious efforts of the US government to come to grips with the reality of the Philippine revolution. It is doubtful, however, that its conclusion that the revolutionaries are popular, homegrown, and receive no external support from the Soviet Union will make a dent in the Reagan administration's determination to escalate its level of intervention in the Philippines.

The authors of the report are Fred Browne, a key staff-member of the Senate Asia-Pacific Affairs Subcommittee, and Carl Ford, who served as an assistant to Senator John Glenn. They have numerous counterparts in other US agencies now monitoring the unravelling Philippine situation. Presumably some of them, particularly those in the CIA, have been delegated with the task of repeating the feat performed in the 1950s by the legendary Colonel Edward Lansdale, who headed the counter-insurgency effort which smashed the communist-led Huk rebellion. Given the sophistication and skills of the current crop of highly motivated guerrillas who have learned the lessons of that disaster, many Pentagon and CIA officials acknowledge that Lansdale's act will be a hard one to follow.

The Huk *débâcle*

The defeat of the Philippine left by Lansdale and his Filipino protégé, Ramon Magsaysay, in the early 1950s was a tragedy of major proportions for the progressive movement. Francisco Nemenzo's stimulating work is an attempt to come to a sensitive understanding of the reasons for this *débâcle* and the subsequent degeneration of the Partido Komunista ng Pilipinas (PKP) into an ineffectual force.

Unlike Brown and Ford, Nemenzo approaches his subject from the left. His partisanship does not, however, get in the way of critical

analysis. Nemenzo also has the advantage of having been an insider, one of the younger members of the PKP leadership during the crucial years of the 1960s, when the PKP was torn by the schism that later resulted in the founding of the Communist Party of the Philippines (CPP). A former dean of the University of the Philippines' College of Arts and Sciences, Nemenzo survived the PKP's execution of almost half of the Central Committee of the Marxist-Leninist Group (MLG), a breakaway group from the PKP of which he was one of the key leaders.

Founded in 1930 by the printer, Crisanto Evangelista and other working-class leaders, the old PKP emerged as a major force in Philippine politics during World War II, when it forged a peasant guerrilla army, the *Hukbalahap* or 'Huks', that led the anti-Japanese struggle in Central Luzon. In a climate of severe class conflict between peasants and a landlord-dominated government in the late 1940s, the leadership decided to risk all on launching an uprising that was meant to bring the left to power in two years. With the help of the US, the Philippine government turned the tide in 1951 with a cunning strategy which combined the promise of free land and land reform, counter-guerrilla military operations, 'clean elections', and the successful projection of Ramon Magsaysay as a reformist, populist president. The PKP's defeat inaugurated a period of demoralisation of the left and McCarthyism in the larger society which were only shaken off in the latter half of the 1960s.

Nemenzo, however, refuses to place the blame principally on external causes. Like Amado Guerrero, who led the split from the PKP that later resulted in the establishment of the CPP and the NPA, Nemenzo places the emphasis on the internal failings of the PKP. Nemenzo's essays add depth and detail to the analysis laid out in Guerrero's brilliant 1967 critique of the PKP, *Rectify Errors and Rebuild the Party*.

Among the key shortcomings which both Nemenzo and Guerrero point to was the hegemony attained by middle-class intellectuals who combined eclectic Marxist theorising with dangerously pragmatic practice. Typical of this was the decision to seize power through a swift armed uprising in 1948. It was justified by the then Secretary-General, José Lava, with the reasoning that with the US losing China to Mao's communists in 1948 and the world standing on the brink of an economic cataclysm worse than the Great Depression, the US would withdraw from the Philippines and Asia and focus its energies on rehabilitating Western Europe. Whether or not the party leadership sincerely

believed this justification, the recourse to armed struggle, says Nemenzo, was in reality a desperate response to the Philippine government's refusal to seat parliamentary representatives supported by the PKP and the government-sanctioned repression of PKP-led organisations by landlords' private armies.

The initial successes of this defensive move led the leadership impulsively to transform it into an ambitious offensive strategy intended to bring the PKP and Huks to Malacanang, (the Philippines' White House) in two years' time. The PKP paid dearly for this hurried attempt to seize power without building up the political, ideological, and military infrastructure for sustained guerrilla warfare, when the Philippine government, with massive US assistance launched its counter-attack in 1951.

Nemenzo and Guerrero also point to the ideologically debilitating impact of the merger in 1938 of a working-class party structured along Leninist lines with the populist, peasant-based Socialist Party whose following was held together by charismatic bonds to the leadership. Nemenzo carries the analysis one step further with his provocative thesis that the ideology of peasant millenarianism overwhelmed working-class ideology rather than the other way around:

The 1938 merger diluted not only the class character of the PKP but also its already eclectic understanding of Marxism-Leninism. It brought a deluge of peasants into what was initially a genuine proletarian party and imbued it with a pronounced millenarian outlook. . . The communist intellectuals who write the party documents (duly embellished with scientific concepts to impress their foreign comrades) did not mind all this, realizing that the quickest way to build a mass base and drive them to heights of political ecstasy was to invoke primitive ideas and tolerate quasi-anarchist behavior.

Theoretical eclecticism, pragmatism, and peasant millenarianism were a devastating combination. To these factors, which largely accounted for the defeat of the Huk insurgency, was added, during the McCarthyist period following the disaster, the infamous 'single-file policy' which hastened the PKP's degeneration. This policy, adopted in a climate of legal repression, ordered each party member to operate individually, maintaining contact with no more than two other members, one from whom he received instructions, the other being the person to whom he transmitted them. What Nemenzo characterises as 'a sharp departure from a cardinal Leninist principle' contributed to the transformation of many of the armed remnants of the PKP's military arm into roving rebel bands, engaged in extortion and criminal

activities, deprived as they were of effective political leadership and collective life.

Suffering from the trauma of defeat and cowed by legal repression, the PKP leadership failed to grasp the revolutionary potential of the nationalist upsurge and the rebirth of student activism in the late 1960s. Having limited its horizon to becoming a legal party engaged in the 'parliamentary struggle', the PKP isolated and expelled young dissenters who called for bolder strategies, branding them as *agents provocateurs* or 'CIA agents', or, in some instances, physically liquidating them—as it did to Nemenzo's group—to avoid being repressed by the Marcos state.

The ultimate result of a timid, defensive political programme was the PKP's surrender to the Marcos regime in 1974. The PKP justified its action by invoking the rationale that Marcos and his faction of the ruling class represented the 'reformist national bourgeoisie'. Nemenzo remarks, 'A rose by any other name smells just as sweet'; and proceeds to describe the pathetic spectacle of a communist party giving up in the midst of a revolutionary upsurge:

The process culminated in a nationally televised reconciliation meeting at the presidential palace between President Marcos and the secretary general in October 1974. Stacks of rifles and piles of ammunition were turned over to the PC [Philippine Constabulary] chief at public rallies in Nueva Ecija and Laguna. Obedient party members then queued at the PC headquarters to be photographed and fingerprinted like common criminals. However, there were also hundreds of others who hurriedly resigned rather than submit to the supreme humiliation.

Revival

While the PKP was negotiating a separate peace with the Marcos government, the CPP and the NPA were into their fifth year of establishing and defending zones of political and military influence in the countryside of Luzon. Hard-pressed by government encirclement and suppression campaigns, the young revolutionaries nevertheless stood on the eve of the momentous expansion which would bring their units ten years later to most of the Philippines' provinces.

To understand the revitalisation of the left and its current position of strength, one must start with José Maria Sison and Amado Guerrero. The interaction of personality and history continues to be a major topic of academic debate, but there is no doubt that Sison and Guerrero (said

to be Sison's *nom de guerre*) have played a decisive role as midwives of the current Philippine revolution.

Amado Guerrero is, by most accounts, a remarkable individual. A glimpse of one aspect of his personality is provided in Nemenzo's account of the recollections of some of the individuals who attended the Congress which re-established the Communist Party on 26 December 1968: 'It was only out of respect for Amado Guerrero that they agreed to attend; and they had a premonition of its historic significance. At the meeting, Guerrero brimmed with optimism, but the rest secretly nursed doubts about the whole project.'

Guerrero, however, is no mere revolutionary optimist. He is also a superb theoretician, a skilful and sharp polemicist, a master of organisation, and a very determined leader. All these qualities were evident in the internal party report, *Rectify Errors and Rebuild the Party*, a relentless and comprehensive criticism of the ideological, political, organisational, and military practice of the PKP which served as the founding document of the CPP.

Unlike *Rectify Errors and Rebuild the Party*, Guerrero's *Philippine Society and Revolution* was intended to be a document for public debate and popular education. It is not a work which academics will find congenial, for its perspective is not that of a detached observer or an academic Marxist. It shifts easily from profound analysis to sharp polemic to passionate prescription. Nonetheless, as a theoretical enterprise, *PSR*—as the book came to be called—is remarkable, a work against which all previous and subsequent Marxist works on the Philippines have to be measured.

Guerrero was attempting what Mao had done in China and what Mariategui has accomplished in Peru: that is, drawing out the 'laws of motion' of Philippine society through an application of the concepts of class, class conflict, mode of production, and imperialism to Philippine history.

The Philippine social formation which emerges from this analysis is a semi-colonial, semi-feudal society. Colonisation by Spain and later imperial control by the United States disrupted the internal evolution of Philippine class society. The contradiction between the Filipino people and imperialism and the social classes which constituted imperialism's 'domestic social base' consequently became the engine of historical motion.

The Philippine 'bourgeois-democratic revolution' still has to be pleted, asserts Guerrero. The Revolution of 1896, directed both at

inconsistent, and subservient in the face of imperialist hegemony. Thus, the Philippine national democratic revolution, while distinct from the socialist revolution, nevertheless looks forward to the latter.

In Guerrero's view, there are three indispensable weapons in the national democratic struggle. The first is the leadership of a 'rectified' or purified Communist Party. The second is armed struggle based on a strategy of 'protracted people's war', wherein a proletarian-led peasant army builds up its strength in the Philippine countryside (which contains 70 per cent of the population) and advances 'wave upon wave' to encircle the urban bastions of the Philippine government. Finally, there is the national united front, which seeks to unite all 'patriotic classes and strata with an objective interest in overthrowing US imperialism and feudalism into a powerful social and political force'.

In the volatile atmosphere of the late 1960s, when the McCarthyist superstructure was breaking down, nationalism was reawakening in student ranks, the Vietnamese people 700 miles away were fighting the mightiest power on earth to a standstill, peasants were demanding land, and workers were marching for higher wages. . . . *PSR* was heady stuff. DGs (discussion groups) organised around *PSR* became the main mechanism for the integration of thousands of students into the ranks of the burgeoning national democratic student and youth organisations which spearheaded the effervescent mass demonstrations that preceded the imposition of martial law on 21 September 1972. In the countryside, *PSR*, translated into different vernacular languages, became the basic course in the political education of peasant recruits into the New People's Army. For mindful of the experience of the PKP, where peasant millenarianism overwhelmed proletarian ideology, the leadership of the CPP and NPA was determined that its peasant cadres would internalise working-class ideology.

In *PSR*, Guerrero warned that, with the increasing intensity of the Philippines' unresolved social contradictions, the ruling class would be increasingly tempted to shift from formal democratic means of control to a more openly repressive, fascist form of state. In September 1972, the Marcos faction of the elite imposed martial law, both to seize absolute power and to freeze the social conflicts which were gradually unravelling the neo-colonial order. By then, however, two of the three basic revolutionary institutions had been re-established: the CPP was set up on 26 December 1968 and the New People's Army was formed with sixty-eight men and thirty-five rifles on 29 March 1969. And during the dark days of the early martial law period in 1973, the third

institution, the preparatory commission for the national united front, the National Democratic Front, was organised in Manila.

Refining the strategy

By 1974, the NPA was operating in twenty guerrilla fronts on the main island of Luzon. It was, however, hard-pressed by encirclement-and-suppression campaigns carried out by the Armed Forces of the Philippines (AFP). Though it was solidly rooted in peasant populations, the NPA was in danger of being ousted by the AFP's superior military force from its two main areas of operation in Cagayan Valley and the Bicol peninsula. It was at this point that the leadership's theoretical skills came to the rescue of the revolution.

Specific Characteristics of Our People's War, which appeared in 1974, posed the fundamental military problem confronting a fledgling guerrilla force battling against the superior resources of the Philippine military: '[W]e have to fight within narrow fronts because the entire country is small and its countryside is shredded.' Amado Guerrero responded with two strategic prescriptions which sought to adapt the Chinese and Vietnamese strategy of people's war to an archipelagic country.

First, the NPA had to create multiple guerrilla fronts throughout the archipelago instead of focusing its energies on creating just one central base area, as Mao did in Yenan. This would have the effect of forcing the enemy to disperse his superior force to several major islands, thus stretching it thinly. Second, it had to exploit the mountainous character of the Philippines to maximum advantage. By skilfully operating from the mountain ranges which 'sew up' and criss-cross the major islands, the NPA could exert political and military influence on the various lowland provinces which bordered each range. The spirit behind these strategic innovations was profoundly dialectical, profoundly Marxist; it was to turn geographic constraints into advantages.

Guided by this strategy, NPA armed propaganda units (APUs) fanned out from Luzon to the other major islands of the archipelago in the mid-1970s. In the early stage of organisation, the bulk of the APU's work was non-military political work, such as popular education, land reform, health delivery, cleaning out local crime, and mass organisation-building. With the formation and deployment of increasing numbers of semi-legal teams (SLTs) to carry out political organisation, however, the APU's mass work became secondary to its

military functions. In Samar, Negros, Panay, and Mindanao, this pattern of patient, solid based-building tested in Luzon was repeated innumerable times: win local confidence, by tackling issues of local concern, expand the people's political consciousness by showing the systemic character of social problems, recruit, build mass organisations, specialise and form regular NPA units. Only when solid organising had been carried out and regular NPA units formed could the latter initiate 'tactical offensives' to gain arms from the enemy on a regular basis.

Mindanao, the country's second largest island, illustrates the explosive potential of the NPA 'formula'. From one APU in 1974, NPA strength grew to twenty full-pledged guerrilla squads spread out over five fronts in 1978. As of 1984, numerous 'undersized companies' or 'oversized platoons' had replaced the squads and were deployed to ten guerrilla fronts covering 2,200 town centres. NPA expansion in Mindanao, by drawing AFP units from other parts of the country, provided much-needed breathing space for expansion and consolidation of NPA fronts in Luzon and the other major islands.

The formation of guerrilla bases is most advanced in Mindanao. In contrast to guerrilla zones, which are contested areas, bases are secure sanctuaries of NPA control which AFP troops either cannot penetrate at all or, if they do succeed, cannot encamp in. CPP and NPA leaders view the bases' political infrastructure, made up of governing committees linking up different 'sectoral' mass organisations, as the local embryos of a future national revolutionary government.

The guerrilla bases also host military training centres for NP, regulars. This function will become increasingly important as the NP, increases its recruitment in response to the heightened tempo of the civil war. CPP-NPA strategists have acquired a reputation for carefully calibrating their advances to their actual or projected strength. Nonetheless, the revolutionary momentum is such that they estimate that the NPA has passed from the early sub-stages to what they term 'the strategic counter-offensive substage of the strategic defensive.' The military concept describes a correlation of forces in which the Marcos army is rapidly losing its strategic advantage nationwide to the NPA. In this developing phase, company-sized NPA units (about a hundred fighters) will become the norm, replacing guerrilla squads as the standard fighting unit, with some advanced beginning to field battalion sized formations by the end of the period. In terms of warfare, the period will see a transition from small-scale guerrilla offensives to the primacy of regular mobile warfare, complemented by guerrilla actions

So extensive is the revolutionary movement's politico-military infrastructure in the countryside that there is widespread confidence that it will be able to pass from the strategic defensive to the 'strategic stalemate'—a status of rough parity with the Philippine military—in three to five years' time.

In a recent interview, the imprisoned José Maria Sison stated that in the next few years, 'at the cumulative rate the NPA is gaining strength, it shall have control or influence over about 50 per cent of the 1500 municipalities in the country and will be able to easily concentrate companies and even battalions to wipe out army units in most of the country.' That this was no idle boast was shown by the recent battalion-sized formations (500 men and women) which staged spectacular arms-gathering raids on AFP command posts and armouries in Western Mindanao and Negros Island.

Painting the expected scenario, Sison continued: 'Right now, the NPA can wipe out or disarm entire army platoons in various parts of the country. In the strategic stalemate stage, the annihilation of enemy companies or battalions in single operations or campaigns will become commonplace. There will be temporary repeated seizures of big towns, provincial capitals, and small cities to wipe out or disarm army units.'

Sison's predictions appear to be rooted in hard military realities. Even now, the real ratio of NPA to army strength is 1:6, a perilously low figure from the perspective of US officials, who consider a 1:10 ratio as the ideal. This is because after one deducts the 20,000 troops deployed against the insurgent separatist Moro National Liberation Front (MNLF) in Western Mindanao, there are only 60,000 combat troops countering the 10,000 NPA regulars with high-powered rifles.

To achieve parity with the army, NPA strategists estimate, according to some reports, that they will need 25,000 regulars. This is seen as within reach. It will entail, among other things, a sharp escalation of attacks on army units and installations to gather arms. Equally important is the laying down of the extensive political infrastructure needed to support a vastly expanded people's army.

Two faces of the same war

The rapid development of the war in the countryside has thrown a new light on the relationship between the armed struggle in the countryside and the legal, semi-legal, and clandestine mass struggles in the cities led and influenced by the National Democratic Front. 'While it is our

principal task to wage a protracted war in the countryside,' Guerrero stressed in *Specific Characteristics* . . . , 'it is our secondary task to develop the revolutionary underground and the broad anti-imperialist and democratic mass movement in the cities.' He continued:

We should excel in combining legal, illegal and semilegal activities through a widespread and stable underground. A revolutionary underground developing beneath democratic and legal or semilegal activities should promote the well-rounded growth of the revolutionary forces, serve to link otherwise isolated parts of the Party and the people's army at every level and prepare the ground for popular uprisings in the future and for the advance of the people's army.

Working under extremely dangerous conditions in the early years of martial law, when the average working career of urban organisers was said to be less than six months before they got too 'hot' and had to be redeployed to the countryside or another city (if they had not already been caught), National Democratic Front organisers had, by 1975, laid the basis for a militant workers' movement. This launched a year-long wave of over 400 strikes which challenged the regime's promise of a docile, strikeless work force to foreign investors. Work among the lower ranks of the Catholic clergy built up a strong network of recruits and supporters in a stratum made receptive to new concepts of Christian social doctrine by Vatican II. Among lawyers, medical workers, teachers, professionals, and students, similar networks of supporters and sympathisers were forged. As in the countryside, the organising principle was the same: champion justice issues of particular concern to a sector, like rises in students' tuition fees; organise and boldly lead mass struggles around these issues and stretch the limits of legality set by the regime; raise political consciousness by linking the various issues as abuses emanating from a system of fascism supported by US imperialism.

By the time of the Aquino assassination on 21 August 1983, the NDF had built up an impressive intersecting array of 'sectoral', 'cause-oriented' organisations cooperating at the legal, semi-legal, and illegal levels. Thus, a great number of the massive, sustained nationwide demonstrations, pickets, and marches which shook the cities in the months after the brazen murder were not simply spontaneous. Sustaining the varied expressions of people's anger was a sophisticated and firm scaffolding that had been creatively and carefully constructed over the previous decade.

Many of the five hundred or so cause-oriented sectoral organisations

nationwide are influenced by the NDF and they provide it with a strong base with which to negotiate alliances with other parties in the urban opposition. One such broad alliance, the recently established Bayan coalition led by former Senator Lorenzo Tañada and supported by the cause-oriented groups, is seen by many as a major effort to formalise a broad united front with diverse class forces.⁵

Urban mass actions now have a direct relationship to the armed struggle. Intensified urban protest, by drawing army forces from the countryside, takes the heat off NPA units working in adjacent rural areas. And, when breathing space is needed to accelerate urban organisation, the NPA steps up its tactical offensives against the Marcos troops, forcing the latter to request assistance from urban garrisons.

The City of Davao, the Philippines' third largest, has become the major experimental area for the direct coordination of open mass actions by urban sectoral organisations, clandestine urban guerrilla warfare by 'armed city partisan' units (ACPs), and NPA tactical offensives carried out in the rural outskirts of the metropolis. As one NDF leader put it, 'The armed struggle in the countryside and the people's struggles in the cities are two faces of the same war.' The influence of the 'Nicaraguan model' on a revolutionary movement that puts a premium on absorbing new lessons and innovating is obvious.

Self-reliant revolutionaries

The capacity to absorb, experiment, and innovate is related by many observers, including the US Senate Foreign Relations Committee staff, to a principle of organisation laid out in *Specific Characteristics* . . . : 'centralised leadership and decentralised operations'. This was prompted by the need, under conditions of archipelagic guerrilla warfare, for cadres

who are of sufficiently high quality to find their own bearing and maintain initiative not only within periods as short as one or two months . . . but also within periods as long as two or more years, in case the enemy chooses to concentrate on an island or a fighting front and blockade it.

With the premium placed on self-reliant local units, CPP and NPA training has stressed the development of strong ideological commitment as well as rigorous internalisation of dialectical methods of

Bayan, however, has suffered lately from the departure of some middle-of-the-road parties and personalities, like the nationalist former senator, José Diokno.

analysing, breaking down and resolving problems. Every cadre, in short, is expected to be a leader, and the sort of blind unthinking loyalty to the party leadership that was cultivated by the PKP is strongly discouraged not only as undemocratic but also as disastrous in the conduct of revolutionary war.

Trained to trust the method of analysis instead of relying on mere authority, the CPP and NPA are said to enjoy a vibrant inner party democracy that would be the envy of other Leninist organisations, where the organisational principle of democratic centralism has been severely skewed on the side of centralism, and democracy has been replaced by bureaucracy.

Sympathetic observers have frequently remarked on CPP members' faith that a collective tackling of a problem 'all-sidedly' with dialectical methodology can arrive at the right line. Periodic 'criticism and self-criticism' is meant to toughen the 'class stand' and to hone one's grasp of theory and method. Advancement to positions of greater responsibility depends on theoretical and organisational competence as well as firmness of class stand, all of which are assessed by an individual's different present and past collectives.

The principle of self-reliance and the cadres' internalisation of 'scientific method' has enabled the CPP and NPA to absorb body blows which have crippled bureaucratic Leninist parties. Whereas the Huk Revolution never recovered from the capture of the PKP Secretary General and most of the 'Politburo-In' in October 1950, the NPA insurgency has kept expanding despite the arrest of over half the Central Committee of the CPP in the mid-1970s. Well-trained subordinates capable of thinking on their feet simply stepped into the roles of those captured, and the arrest of some of these successors simply led to others filling their shoes.

Thus, Marcos' celebrated boast in 1977 that the 'back of the Communist insurgency was broken' with the capture of many of its original leaders was swiftly shown to be the illusion of a dictator who failed to discern the true character of his revolutionary antagonists. For the dictator and his US backers, the revolution has become a hydra-headed creature which cannot be decapitated.

Conclusion

The armed revolution launched by the CPP and the NPA has entered its

seventeenth year, with its leaders cautiously confident of gaining the strategic initiative *vis-à-vis* the government in a few more years. There continue to be major obstacles on the path to a successful completion of the national democratic revolution. For one, there is the question of arms. More youth want to join the NPA than can be accommodated because of the lack of arms, say movement sources. While increasing arms-gathering raids on the AFP will probably meet the demands of firepower for a few more years, this method will soon prove inadequate. The shift to regular mobile warfare on the plains of Luzon and Mindanao when the correlation of forces reaches the strategic stalemate and the NPA moves to the strategic offensive will demand a larger and more stable flow not only of small arms but also heavy weaponry, like howitzers and mortars. Should the NPA try to procure its arms from external sources, it will have to contend with the likelihood of a naval blockade by the US Seventh Fleet.

Then, there is the looming threat of direct US intervention should the demoralised AFP collapse. While American public opinion at present will probably not sanction the sending of ground troops, the strength of the 'Vietnam Syndrome' a few years hence cannot be taken for granted, especially with the continuing rightward motion of the US electorate. But if the past is any indication, we should expect the revitalised Philippine left to produce innovative responses to these and other constraints and threats.

Rarely has a revolution suffering a strategic defeat recovered in the period of time it took the Philippine revolution to revive and move once again to a position of relative strength. It took fifteen years to move from devastating defeat in 1954 to the re-establishment of the CPP in 1968 and the founding of the NPA in 1969. And it has taken 16 years for the NPA to grow from a hardy band of 68 men to a nationwide force of 15,000 regulars who are pressing the AFP to a debilitating stalemate.

The works reviewed here contribute significantly to an understanding this phenomenon. In conclusion, two factors appear especially decisive. One is the CPP and NPA's capacity to fuse revolutionary discipline with strong initiative from cadres at all levels of the movement. The other is the consistent employment of theory to illuminate practice and chart out the road to state power. All the key junctures in the revitalised left's history—the forging of the programme of the National Democratic Revolution, the struggle leading to the re-establishment of the party in 1968, the adoption of the archipelagic guerrilla strategy in the mid-1970s, the interaction of the advancing rural armed struggle, the united

front in the cities, and the urban mass protests in the mid-1980s—serve to illustrate the continuing relevance of Lenin's assertion: 'Without revolutionary theory, there can be no revolutionary practice.'

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THE UN SYSTEM

▲ UNCTAD Special Committee on Preferences

Thirteenth Session

Geneva, 10-19 April 1985

■ For the first time in five years, seventy-seven countries in all regional groups within the Special Committee on Preferences agreed on the conclusions of their periodic review of the Generalised System of Preferences (GSP). The GSP was established by UNCTAD II in New Delhi in 1968 to give preferential access to developed country markets for specified products from designated developing countries.

The committee, which monitors implementation of the GSP, recognised the important role of the GSP as a mechanism for facilitating developing-country exports and expanding international trade. In 1982, trade covered by the system amounted to \$32bn. The committee reaffirmed the objectives and character of the GSP, especially its generalised, non-discriminatory and non-reciprocal nature. Its role in the development efforts of developing countries was recognised, the aims being to increase their export earnings, promote their industrialisation and accelerate their rates of economic growth. These objectives had not, however, been fully achieved. In particular, the expansion of the exports of indebted countries was seen as a means of maintaining their development momentum while simultaneously allowing them to service their debts.

The committee expressed satisfaction that all the GSP schemes requiring renewal had been extended beyond their initial ten-year period. (The US and Canada had made their extensions in 1984.) It was noted that the improvements made in the system in recent years had been relatively modest, and developed countries were urged to consider products not yet adequately covered in both the agricultural and industrial sectors, with a view to improving product coverage. Special measures were advocated to give benefit to the least developed countries. The committee also agreed that the rules of origin, defining the products to be covered by the GSP, should be liberalised and harmonised and their operation simplified. Governments, especially those of preference-giving countries, were moreover urged to contribute to the UNCTAD Trust Fund in order to enable multilateral technical cooperation to proceed beyond 1985.¹

The committee had also noted the request of preference-receiving countries to respect the character of the GSP and refrain from excluding beneficiary countries. It had urged preference-giving countries envisaging modifications of the scheme to afford upon request adequate scope for prompt consultations over difficulties. Both these clauses reflected major concerns on the part of developing countries that some beneficiaries were being graduated out of schemes once they had attained a given per capita income and that such decisions were being made without reference to the views of preference-receiving countries.

Alister McIntyre, UNCTAD's Deputy Secretary-General and Officer-in-Charge.

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suggested that many factors had to be taken into account in determining eligibility for preferential access rather than the simple indicator of GNP per capita. Product-specific criteria might be necessary or a country might have achieved an adequate level of competitiveness in one sector and not in another. Moreover, there should be no penalty for countries developing into competitive exporters, he said. He considered that the rules for modifying GSP schemes should be based on criteria evolved through multilateral consensus.

These criticisms of the GSP had been echoed by Ahmad Saker of Syria, speaking for the Group of Seventy-Seven (G77); he argued that the system was being undermined. Countries were, he said, arbitrarily deprived of beneficiary status for political reasons or if they began to demonstrate the capacity for competitiveness. Those determining that this status had been reached were often, he said, exclusively the developed countries. He expressed concern over the introduction of income thresholds and demands for reciprocal concessions in new US schemes and also advocated the expansion of product coverage, tariff cuts and the liberalisation of non-tariff barriers in the schemes.²

● Contrary to popular superstition, the 13th session has proved to be a lucky one and we have reached agreed conclusions on a number of important aspects of the GSP'. Marie Plate of the Netherlands, spokesperson for the OECD countries, International Foundation for Development Alternatives, *Special United Nations Service* (Geneva) No. 123, 21 April 1985.

Speaking on behalf of the G77, Ahmad Saker of Syria hoped that the agreed conclusions would be 'only the beginning of a constructive approach, the start of a process which will affect the minds and attitudes of those responsible for implementing the GSP'. International Foundation for Development Alternative *Special United Nations Service* (Geneva) No. 123, 21 April 1985.

▲ UNESCO

One Hundred and Twenty-First Executive Board Meeting
Paris, 9 May–21 June 1985

■ UNESCO's fifty-member Executive Board made attempts to resolve the crisis within the organisation caused by the UN's withdrawal in December 1984. Britain contributing 5 per cent of UNESCO's budget, compared with the US's 25 per cent was also threatening to follow suit unless reforms were carried out.

A joint statement formulated at Luxembourg by the European member-states to UNESCO was presented to the Executive Board.³ It called for cuts in the 1985 budget; a comprehensive plan and timetable for the implementation of administrative reforms; and plans for the 1986/87 UNESCO programme. Even France (hitherto an exception amongst Western industrialised states in supporting the agency and its Director-General, Amadou Mahtar M'Bow) had begun to harden its attitude.⁴ However, the Board crossed off its agenda a report critical of UNESCO's management, which Western nations had wanted to be considered. Entitled 'Improvements needed in UNESCO Management, Personnel, Financial and Budgetary Practices', it had been written by the US General Accounting Office

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in 1984, prior to US withdrawal. It was rejected, ostensibly on the grounds that it had not been translated.⁵

The meeting adopted by consensus a precise and detailed timetable, drafted by the thirteen-member Temporary Committee of the Board, for the implementation of more than a hundred previously agreed reforms. These measures concerned the decentralising of UNESCO's activities; the improvement of its budget and recruiting practices; improved evaluation methods for its programmes; and the strengthening of its governing bodies, the Executive Board and the Conference. The Board also endorsed the Director-General's recommendation to proceed with the remainder of the programme for the 1984/85 biennium, despite the US withdrawal and the withholding of its \$43m contribution. The 1985 budget shortfall was, accordingly, to be made up through \$25m worth of economies, \$8m of voluntary contributions⁶ and the controversial mobilisation of \$10m of the UNESCO budget earmarked to meet inflationary rises in costs. While the industrialised countries (with the exception of France, which endorsed M'Bow's proposal) warned that the manoeuvre was probably illegal under UNESCO's rules, they agreed to await the final ruling on the subject by the full UNESCO Conference in Sofia, in October 1985. In the meantime, the Director-General was authorised to seek active negotiations with the US to settle the dispute over its outstanding contributions. This plan was made despite calls by developing countries for a decision on the matter to be sought from the International Court of Justice in the Hague.

The Executive Board went on to consider a draft programme and budget for the 1986/87 biennium. Although the Director-General had suggested a 'zero-growth budget', the Western 'pro-reform' countries succeeded in securing the principle of reducing the budget by the 25 per cent lost as a result of US withdrawal. The question was how the programme was to be adjusted to accommodate these cuts. The Western industrialised countries favoured what they termed 'programme concentration', entailing the elimination of those programmes they opposed on the grounds of their being 'controversial', 'politicised' or 'overlapping', such as those concerning disarmament, communications or human rights. On the other hand, many developing countries, as well as the Soviet Union, favoured across-the-board cuts, affecting all programmes equally. After six weeks of debate, a consensus formed around an overall programme with a limited reduction in politically contentious areas and a slight shift in favour of scientific and technical fields. The communications programme was to involve more aid to specific countries, and for training journalists, and less emphasis on the 'democratisation' of information. Less stress was to be placed on the technical aspects of disarmament, and more on its educational dimensions. Practical assistance towards the eradication of illiteracy was to be offered by UNESCO, rather than the subject itself being studied.

While the sum of these reforms was deemed insufficient to persuade the US to reconsider its withdrawal from the organisation, it received the cautious approval of other Western states. The British representative, William Dodd, stressed that the Board was competent to make recommendations only, and that Britain would be waiting the results of the General Conference in Sofia before making a decision on its position. It was understood that Britain considered the proposed reforms to be inefficient, but was hoping for their extension at the conference.⁷

UNESCO must 'avoid a politicisation of discussions which, as the present crisis

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shows, can only lead to confusion, perhaps even to the disappearance of the organisation.' Roland Dumas, French Foreign Secretary, in a speech prior to the opening of the Board meeting. *The Times* (London) 18 April 1985.

The outcome of the meeting was 'a major success'. Gisèle Halimi, French permanent delegate to UNESCO. *Financial Times* (London) 22 June 1985.

'Never before in the history of UNESCO have so many reforms been initiated in so short a time.' Ivo Margam, Yugoslav delegate to UNESCO and Chairman of the Temporary Committee. *The Times* (London) 5 June 1985.

▲ Commission on Transnational Corporations (TNCs)

Reconvened Special Session

New York, 17-21 June 1985

■ Eighty-one UN member-states met to examine a study prepared by the UN Centre on Transnational Corporations, with a view to overcoming the current deadlock on the Code of Conduct for TNCs. The study concerned the outstanding issues in the draft code of conduct, which have divided the commission.⁸ These issues relate to international law and legal obligations, and their implications for nationalisation; state contracts; non-discrimination and fair and equitable treatment; national treatment; free choice of law and means of settling disputes; non-interference in internal matters; conflict of jurisdiction; free transfer of payments relating to TNC investments; non-collaboration by TNCs with the South African regime; and the objectives of the code.

It was decided, subject to the approval of ECOSOC and the UN General Assembly, to reconvene the Special Session for two weeks in January 1986, in order to reach agreement on these outstanding issues, and to complete the code. It was suggested that expert advisers be invited to attend the January session and that the Secretary-General review and revise the report presented to the June 1985 Session.⁹

▲ UN Conference on Conditions for the Registration of Ships

Third Session

Geneva, 8-9 July 1985

■ One hundred delegations from large shipowning states, developing and socialist countries attended the session.¹⁰ They agreed on the conditions that should govern the inclusion of merchant ships in national shipping registers, thus reaching the first international agreement to specify the components of the 'genuine link' which is supposed to exist between a ship and the flag it flies. In 1984 roughly 30 per cent of shipped merchandise was carried under the flags of convenience or so-called 'open registries' such as Liberia, Panama, Cyprus, Bermuda and the Bahamas.

The three conditions for the registration of ships adopted by consensus concerned ownership, management and manning, the latter two proving the most controversial in previous sessions. Flag states were to make appropriate provisions for the participation of their nationals as owners of the ships they registered. The level of participation was to be sufficient to allow the flag state effective jurisdiction and

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control over those ships. Shipowning companies were to be established with their principal business premises in the flag state or at least were to contain a representative or management employee who was a national of or domiciled in that state. A 'satisfactory part' of the crew of merchant ships were to be nationals of the flag state or domiciled or permanent legal residents there. Qualifications to this rule however would include factors such as the availability of qualified seafarers in the flag state, legally valid bilateral or multilateral agreements and considerations relating to the economic viability of operating the ships. Other provisions in the new agreement included those of maritime administration, identification and accountability and measures to protect the interests of countries supplying labour to merchant ships.¹¹

A key point among the conditions of registration was the obligation of each flag state to ensure that the managers and operators of its ships were capable of meeting the financial obligations arising from the ships' operations. Their nationals in the management of the shipping companies were also to be available for legal procedures. The purpose of the new regulations was to make the owners and operators of ships identifiable and responsible for accidents, with their flag states as the ultimate guarantors of that responsibility. The President of the conference, the Ivory Coast's Marine Minister, Lamine Fadika, stressed that flag states would be held liable for financial compensation in cases of third-party damages. It was hoped that the new regulations would end the abuses entailed in flags of convenience: the exploitation of crews (often from developing countries) through low wages and bad conditions, the ignoring of international rules on hygiene and marine pollution, and tax fraud as well as the evasion of responsibility for accidents.

All groups at the conference declared themselves satisfied with the agreement and a fourth session was planned for the beginning of 1986. Its chief purpose will be to determine the legal form the agreement should take. Lamine Fadika reported that a majority of states favoured a mid-way position between the extremes of a legally binding convention and non-binding recommendations. Under this compromise some clauses would be mandatory and others optional.¹²

● 'It is not directed against any country or any group of interests. It forms a well-balanced whole. It takes into account both the interests of developing countries with legitimate aspirations to improve their situation in shipping and the no less legitimate concerns of industrialised countries, of developing countries that supply manpower, or landlocked countries who want to have a merchant fleet under their flag, of open registry countries whose economies are based to a large extent on this system, and, finally, the interests of the crews, both officers and seamen'. Lamine Fadika, Minister of Marine of the Ivory Coast and Chairman of the Conference in his concluding statement to the plenary. *UNCTAD Press Release*, TAD/INF/1708, 22 July 1985.

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▲ World Conference to Review and Appraise the Achievements of the UN Decade for Women
Nairobi, 15–26 July 1985

■ The UN Conference met with the dual purpose of reviewing the past achievements of the UN Decade for Women, whose end it marked, and of devising new strategies for improving the status of women in the remainder of the century. Overlapping with the non-governmental 'Forum '85', held in Nairobi from 10–19 July 1985, in which over 11,000 women from 150 countries participated, it was attended by delegations from 157 countries, all of which contributed to the final document on 'Forward-looking Strategies'.

The conference participants took note of some marginal improvements in the years from 1975–85, such as those in education, particularly within developing countries, where girls increased from 37 per cent to 41 per cent of the secondary school population during the decade. In manufacturing industry the wage gap had narrowed, with women earning 73 per cent of men's earnings compared with 70 per cent ten years ago. Within developing countries, awareness of the need for family planning and the demand for contraceptives was also said to have increased during the decade. It was recognised, however, that for many women conditions had not improved, but had worsened because of the economic recession. One marked achievement of the decade had been in the field of research, which had made available some of the statistics representing women's subordinate status. The UN study, 'State of the World's Women' (1985) revealed that 'while women represent fifty per cent of the world's population, they perform nearly two-thirds of all working hours, receive only one-tenth of the world's income and own less than one per cent of world property.' This statement, Leticia R Shahani, UN Assistant Secretary General argued, remained as appropriate in 1985 as it was when it was first made in 1980.

The final document, 'Forward-looking Strategies of Implementation for the Advancement of Women and Concrete Measures to Overcome Obstacles to the Achievement of the Goals and Objectives of the Decade', was drafted within two committees working simultaneously. Its passage was hampered, however, by disagreements between, on the one hand, Western states led by the US and, on the other hand, developing and socialist countries. The US had insisted from the outset that its delegation, led by Maureen Reagan, daughter of the US President, would oppose the intrusion into the conference of what it termed extraneous political issues. These issues included those of disarmament, apartheid, the creation of a Palestinian state and Zionism, the discussion of the latter having deterred the US from signing the final documents of the previous women's conferences in Mexico City in 1975, and Copenhagen in 1980. Delegations from developing countries had argued, however, that the avowed goals of the Women's Decade (equality, development and peace) could not be achieved unless these issues were addressed, and that the condition of women could not be improved unless unjust political systems were radically changed.¹³ It was because of this division that the US had insisted initially on any final document being adopted by consensus. This requirement could have given the US the power to block decisions in the conference, of which developing and socialist countries formed the majority. Following an early US compromise, however, when it was decided that the report 'should be adopted by consensus', rather than 'must be', certain sections of the report were voted on in

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plenary session, as no agreement could be reached on them in committee. At this stage, in the final plenary session, the US delegation, supported by Israel and Western states, refused to accept a particular paragraph equating Zionism with racism, which would almost certainly have been passed had a vote been taken. A possible walkout was averted by a compromise wording suggested by the Kenyan delegate, in which 'all forms of racism' were decried. The US accepted the wording on the basis that Zionism was not included in the description, and the PLO representatives accepted it on the grounds that the UN had characterised Zionism as a form of racism in previous decisions.

The final document was adopted as a whole by consensus, with 4 of the 372 paragraphs being put to the vote. A proposal of G77 to the effect that coercive measures adopted by certain developed states, including trade restrictions and economic sanctions, had adverse effects on the integration of women in development, was adopted by 109 votes to none, with 29 abstentions. A further paragraph attributing the unequal position of women in large part to the unwillingness of certain developed countries to help to implement the New International Economic Order was passed by 103 votes, with 1 against (the US) and 29 abstentions. A paragraph on the situation of women and children in South Africa, which called among other things for sanctions against South Africa, was passed by 121 votes, with 1 against (the US) and 13 abstentions. Finally, a paragraph on Palestinian women and children, calling for the achievement of Palestinian rights, as formulated in the UN Programme of Action concerning Palestine, was passed by 97 votes to 3 (Australia, Israel, and the US), with 29 abstentions.

Despite fears that the conference would be overtaken by such issues, it was widely recognised as having achieved a certain unity of purpose, and as having withstood attempts to deflect it from its major concerns. The plight of rural women in developing countries received attention; reports estimated that women produce 50 per cent of the world's food and perform between 60 and 80 per cent of Africa's farm work. In view of these facts, and of widespread drought and famine in Africa, the targeting of development assistance to women was seen not merely as a humanitarian gesture, but as a necessary means of improving vital food production. The final document called for improved training for women in food technologies, and for their improved access to land, capital, technology and other resources, through land ownership and inheritance rights, and for the removal of restrictions on their access to credit. Water was also an issue, with governments being urged to 'relieve the burden placed on women by the task of fetching water', by constructing more dams and wells.

The document called on all countries to enforce the existing laws providing for the equality of women, and to advance their training and education, particularly in technical, managerial and non-traditional areas. It advocated their increased participation in trade unions, political parties, and the military. It urged governments to place an economic value on the unremunerated work of women in bearing children, keeping house and raising crops, advocating the legal implementation of parental leave policies and the encouragement of the sharing of household work and child care between men and women. A provision, opposed by the US, also asked governments to ensure that both sexes received 'equal pay for work

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of equal value'. In addition to provisions on family planning and violence against women, special attention was given to women whose specific situations exacerbate their plight, such as those in areas of armed conflict; single-parent families; disabled women; women who are victims of sex trafficking or involuntary prostitution; refugee women; Palestinian women; and women under apartheid.

While the final document was not legally binding (a fact stressed by the US delegation when it was argued that many of its provisions ran counter to US policy) it was considered by some participants to be a useful instrument of pressure to apply to recalcitrant governments. Going far beyond the existing state of legislation in most countries, it was designed for immediate action, the strategies' implementation being monitored every five years, depending on the decision of the UN General Assembly. Each country was to have the option, however, to determine its own priorities, based on its own development policies and resource capabilities.¹⁴

● 'If we debate an issue that is being debated in the UN or in disarmament conferences, we have robbed women.' Maureen Reagan, head of the US delegation to the conference, *The Guardian* (London) 15 July 1985.

'It is unbelievable that women can effectively participate in developing their society under foreign occupation and subjugation.' Suzanne Mubarak, head of the Egyptian delegation, referring to what she called the suffering of Palestinian women in Israeli-occupied territories. *International Herald Tribune (IHT)* (Paris) 17 July 1985.

'Development administered largely by men on assumptions centred particularly on men is not only morally indefensible but economically insane.' Bradford Morse, Director of the Office for Emergency Operations in Africa. *The Times* (London) 16 July 1985.

'I'm not sure how many women recognize it, and for the most part, governments don't like to recognize it, but there is indeed a powerful international women's movement. Finally, there is commonality, and it will spread.' Virginia Allan, member of the US delegation, also present at the Mexico City and Copenhagen conferences. *IHT* (Paris) 30 July 1985.

'The decade has merely touched the tip of the iceberg.' McLeod Darpoh, the Liberian delegate. *West Africa* (London) 29 July 1985, p 1543.

▲ UN Convention on the Law of the Sea (UNCLOS)

Preparatory Commission for the International Sea-Bed Authority and the International Tribunal for the Law of the Sea
Geneva, 12-14 September 1985

■ During its summer session the Preparatory Commission, which meets twice a year, made marginal progress towards the establishment of rules and regulations governing the exploration and exploitation of sea-bed resources in international waters.

A focus of debate was the reported unilateral granting of licences, in November 1984, by the US to four mining consortiums to extract manganese nodules from the Pacific.¹⁵ This action on the part of the US, performed without notifying the Preparatory Commission, was unanimously opposed during the meeting. The

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Pakistani delegate, Mansur Ahmad, argued on behalf of the Group of 77 that it contravened the principle enshrined in UNCLOS that sea-bed resources are a common heritage of mankind, thus undermining the convention. On the recommendation of G77, the Preparatory Commission declared that 'any claim, agreement or action regarding the [international sea-bed] area and its resources undertaken outside the Preparatory Commission which is incompatible with the United Nations Convention on the Law of the Sea and its related resolutions shall not be recognised.' It unequivocally declared such arrangements to be 'wholly illegal' and denied that they were a basis for the creation of legal rights.

The Commission continued its examination of the procedural rules of the Assembly and Council of the International Sea-Bed Authority (ISA) in preparation for the entry into force of UNCLOS, which would occur after sixty state ratifications. (At the time of the meeting, twenty-two states had ratified the treaty.)¹⁶ The Chairman of the Commission, Joseph Warioba of Tanzania, also continued his consultations on the resolution of overlapping claims to international sea-bed areas by applicants for 'pioneer investor' status. Until these conflicting claims were resolved, the Preparatory Commission could not, he said, implement Resolution II of the Third UN Conference on the Law of the Sea by elaborating rules on the registration of pioneer investors.

There were reports during the session from the four special commissions of the Preparatory Commission. Special Commission 1, mandated to study possible ramifications of deep sea-bed mining for land-based mineral producers,¹⁷ was reported to have gathered sufficient data for its purposes. Future studies, its Chairman suggested, might concentrate on the existing programmes and activities of international and multilateral organisations in order to assess their suitability for assisting land-based producer states; the influences of various factors (such as population, per capita income, geographical location) on the level of dependence of particular countries on the minerals involved in deep sea-bed mining; and the role of these mineral sectors in the economies of particular developing countries which are land-based producers.

Special Commission 2, set up to establish the Enterprise (the sea-bed mining organ for the ISA), examined a working paper outlining hypothetical deep sea-bed mining operations, in order to consider the possible requirements in terms of skilled managerial personnel. In formulating such hypothetical models, the Chairman suggested that the Special Commission would have to take into consideration metal prices and markets in the short and medium terms; the access of the Enterprise to these markets; the cost of marketing; and the availability of facilities such as processing plants for leasing. The Special Commission also agreed in its calculations to assume that the Enterprise would be the sole operator initially, though its first operation might in reality be a joint venture. It was thought that the training of experts for the ISA might be a more immediate need than the training of people in the practical skills of sea-bed mining.

Special Commission 3, mandated to devise the mining code, considered a set of draft regulations concerning the procedure for states to notify the ISA of their intention to prospect; application for approval of exploratory and exploitative operations; and the criteria for that approval.

Special Commission 4, to establish the International Tribunal for the Law of the

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Sea, continued to obtain information on the experience of other organisations (such as the UN) in the setting up of such courts and tribunals. In most cases, temporary facilities had been used to avoid delays during the construction of permanent buildings. The Special Commission also continued its examination of draft procedural rules for the tribunal, and discussed provision in UNCLOS for the prompt release of vessels and crews, of particular importance to shipping and coastal countries.¹⁸

COMMODITIES

▲ International Cocoa Organisation (ICCO)

Council Meeting

London, 8–19 July 1985

■ Two weeks of talks between producer and consumer countries in the Council ended without agreement on a successor to the International Cocoa Agreement, which was due to expire in September 1985. Like the last negotiations on a new agreement, in Geneva in February–March 1985, the talks collapsed over the issues of price-structure and the regulation of stocks.¹⁹

In the July talks, consumer countries were pressing producers to agree to a statement effectively linking the extension of the current pact with their acceptance of a substantially lower price range in any future agreement. The Soviet Union, in particular, took an unexpectedly hard line, threatening not to agree to extend the pact unless the price range was cut, and pressing for the suspension of levy payments to finance the buffer stock. Eventually, however, the Council agreed to extend the present International Cocoa Agreement for a further twelve months from 1 October 1985, a decision on which the Soviet Union abstained. The Council then decided to make a fourth attempt to negotiate a new pact, in Geneva in February 1986.²⁰

▲ International Coffee Organisation (ICO)

Executive Board Meeting

London, 22–26 July 1985

■ The sixteen-member Executive Board proved unable to settle the outstanding issues of the ICO's price support arrangements, and penalties for discounting to non-ICO members.

On the question of price support, a fall in the fifteen-day moving average indicator price to just below 130¢ per pound had automatically triggered a reduction of 1m bags (60 kilogrammes each) in the ICO export quota, on 3 July 1985, to 59.2m bags. (The global export quota is the ICO's tool for controlling supplies and maintaining coffee prices within the support range of the International Coffee Agreement (ICA), currently between US\$1.20 and US\$1.40 per pound.) A further automatic reduction in export quotas was expected within a few days of the meeting's close, as the average price fell below 120¢ per pound.²¹ Hoping to push prices up to the central level in the

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support range (130¢ per pound), producing countries argued for a further reduction in the export quota, beyond the 1m bags expected. The price slide, they said, had been caused by the excessively large 61m bag quota fixed for the 1984/85 coffee year, ending in September. Arguing that a third cut in the export quota might soon be necessary to maintain prices within the support range, they urged a change in the rule limiting the number of automatic quota reductions to two per quarter, and requiring that changes beyond these be approved by a special meeting of the Executive Board. Consumer countries resisted these moves, however, objecting that the current weakness in the market was merely a corrective to the excessively high prices in the spring of 1984, when the 1983/84 export quota had almost been equivalent to demand.

The issue of discounted sales to non-ICO members, and the related problem of some of these coffee sales never reaching their ostensible destinations (possibly finding their way instead to consumer countries belonging to the ICO), had been discussed at length at previous ICO meetings in April and May 1985.²² At their July meeting, producing countries, with the exception of Indonesia (the chief discounting exporter), agreed on a proposal to penalise abuses of the ICA. Led by Brazil, they stipulated specific penal quota reductions for members who were unable to account for an above-average quantity of coffee sold to non-members, which presumably never reached its alleged destination. The proposal, however, was not accepted by the Board.

Decisions on the issues of price support and discounting were postponed until the ICO annual meeting in September 1985.²³

▲ICO

Forty-fourth annual Council meeting
London, 16-30 September 1985

■After over two weeks of negotiations and three days of extensions, the Council reached agreement on the global export quota and price support range for the coffee year 1985/86. The prolongation of the meeting was in part due to the insistence of some consumer countries that the issues on non-fulfilment of quotas and discounting to non-ICO members be settled before the discussions could proceed.

The US (which accounts for 25 per cent of the world's coffee consumption) was reported to have taken a tough stand with regard to what it termed the under-shipment of producer countries' individual export quotas. This failure to meet agreed export quotas had, it was argued, resulted in artificial shortages during the earlier part of the 1984/85 coffee year precisely when demand was at its highest. The US was consequently anxious for assurance that export quotas for 1985/86 would be fulfilled and discussion of other matters was initially made conditional on the reaching of a settlement on under-shipments. Three proposals for rewards and penalties concerning quota fulfilment proved unacceptable to the Council. Producer countries argued that under-shipment, far from being a result of producers' reluctance to fulfil their quotas, was often caused by irregular trade patterns or lack of demand from ICO consumers.

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A decision on figures for the 1985/86 coffee year (set to begin on 1 October 1985) was reached by majority vote on a proposal from leading producers. Sixty-one of the ICO's seventy-five members agreed to the proposal, while the US alone voted against it and Costa Rica, Honduras, India, Indonesia and Peru abstained. The initial global export quota was fixed at 58m bags (slightly lower than that year's initial figure of 61m bags). The price support range was to remain unaltered at \$1.20-\$1.40 per pound. The agreement provided for three possible cuts in the export quota of 1m bags each in the event of the price falling below 120¢ pound after twenty days, if it remained below 120¢ for a further fifteen days and if it subsequently fell below 115¢.

The head of the Brazilian negotiating team, Alberto Leite Barbosa, concluded that the agreement, with its quota of 58m bags, would support stable prices and provide a normal flow of coffee. The US, however, having unsuccessfully opposed the agreement and having achieved no gains on either under-shipment or discounting was reported to be reassessing its position with regard to the ICA.²⁴

● 'We are concerned that the outcome may not bode well for the future of the International Coffee Agreement or our participation in it'. Rollinde Prager, head of the US delegation. *IHT* (Paris) 3 October 1985.

'All efforts were made not to leave the United States isolated'. Alberto Leite Barbosa, head of the Brazilian negotiating team. *IHT* (Paris) 3 October 1985.

▲ International Natural Rubber Organisation (INRO)

Special Session of the Council

Kuala Lumpur, 13-14 August 1985 and 3 September 1985

■ After heated discussion, the Council decided to cut intervention prices for rubber by a full 3 per cent, as is provided for under the International Natural Rubber Agreement (INRA). The special session of the Council had been called to review buffer-stock operations, as is required by the regulations when the stockpile (purchased in order to maintain prices) exceeds 300,000 tonnes, a figure it reached in July 1985.

Agreement was reached among INRO's thirty-three members only after a proposal by Malaysia to suspend buffer-stock operations and allow prices to find their own level had been rejected by consumer countries. They saw the suggestion as a tactic to delay the lowering of prices necessary in the face of over-supply. Malaysia was seeking a thorough review of the entire rubber situation and of Article 32 of INRA, which provided for three courses of action in the event of a 300,000 tonne buffer-stock level: an automatic 30 per cent cut in intervention prices; a slower rate of buying by the buffer stock manager; or the suspension of buffer stock operations. As a compromise, the Council, having decided on the 3 per cent cut, agreed to Malaysia's suggestion to review the situation of natural rubber (including its price structure) at its next meeting in October 1985, with the help of a market assessment paper to be prepared by the INRO Secretariat.

The Council also discussed means of financing an additional contingency stockpile of 150,000 tonnes, to be set up once the buffer stock exceeded 400,000 tonnes; the feasibility of INRO's borrowing from commercial banks to finance the stockpile; the

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legal implications of using its assets as collateral; and the possible guaranteeing of these loans by member governments.²⁵

At a special meeting on 3 September, the Council appointed a new buffer-stock manager to succeed the incumbent, Harvey Adams, who was leaving in October. The appointment of Aldo Hofmeister, a US citizen, ended six months of deadlock over a choice of manager, successive US nominees having previously been rejected.²⁶

DISARMAMENT

▲ Soviet Union–United States Arms Control Negotiations: Second Round Geneva, 30 May–16 July 1985

■ The second round of bilateral negotiations on nuclear and space weapons began as the first round had ended, in deadlock. No changes in the position of either the Soviet Union or the US had been signalled in the recess between rounds, and the two sides were in agreement only in their assessment of the first round of talks as 'fruitless'.²⁷ While no tangible progress was achieved in the second round, various ideas were 'floated' informally, as a means of gauging the unofficial reaction of the other side.

The major point of disagreement in the talks in March and April 1985 had been that the Soviet Union insisted that the Reagan administration's Strategic Defense Initiative (SDI) be halted as a precondition for arms reductions in other areas, while the US repeated that SDI was non-negotiable. Moreover, on 26 June 1985, during the course of the second round, Mikhail Gorbachev explicitly accused the US of blocking the Geneva negotiations in order to continue to build up its arms on earth, at sea and in space. He warned that the Soviet Union would be forced to revise its attitude towards the whole talks if the delaying tactics persisted.²⁸ In a further statement on 5 July 1985, Gorbachev described the 1972 Anti-Ballistic Missile (ABM) Treaty as the 'key link in the entire process of nuclear arms limitation', declaring that it was threatened by the US plans of 'space militarisation', and urging the US to reaffirm its commitment to the treaty.²⁹

Notwithstanding the deadlock over space and defensive weapons, reports emerged of a nascent Soviet flexibility on the issue. According to US officials, as reported on 8 July 1985, Soviet negotiators in Geneva had informally suggested that they might be seeking a ban only on the development and testing of space weapons, as opposed to the elimination of laboratory and scientific research.³⁰ A change in the formal Soviet negotiating position was, however, flatly denied by both sides. Yuli Kvitsinsky, the chief Soviet negotiator on space weapons, instead reaffirmed the Soviet position that a ban on space research was (contrary to US assertions) scientifically verifiable by means of satellite surveillance, and was therefore a coherent goal of Soviet policy.

Tentative developments in the field of strategic arms control left the US negotiators marginally more optimistic at the end of the second round, despite the

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vague nature of the new proposals. On 24 June 1985, in spite of an agreement on confidentiality regarding substantive details of the negotiations, Paul H Nitze, senior US arms adviser, revealed the formal Soviet presentation of a proposal advanced publicly by Gorbachev on 26 April 1985. This Soviet offer of a mutual 25 per cent cut in strategic nuclear delivery vehicles (expressed in April as being conditional on the elimination of SDI) was rejected by the US on the basis that it referred only to launchers, and not to effective destructive power, measured in the number and size of warheads.³¹

On 10 July 1985 the first indication that Gorbachev's offer might cover warheads, not simply launchers, was given by Colonel General Nikolai F Chervov, head of arms control for the Soviet General Staff, in informal talks with a New York Democratic Congressman. Conditions were attached by Chervov, such that each side would be free to cut missiles, bombers and submarines as they saw fit; ceilings would also cover US long-range bombers and nuclear-capable bombers based in and around Europe; and French and British nuclear forces would be included. US officials, however, denied that any formal representation to that effect has been made in Geneva.³² Later, on 24 July 1985, US officials reported that in a semi-formal post-plenary session at Geneva, a Soviet proposal had been made for a 30 per cent reduction in strategic launchers, and an 'appropriately related' percentage reduction in 'nuclear charges'. The US response was cautious, however, as there was uncertainty as to whether 'charges' signified warheads only, or bombs and cruise missiles as well. There were also attached conditions similar to those Chervov had stipulated, including the elimination of SDI research; limits on intermediate-range offensive missiles (US deployments in Europe); and the inclusion of French and British nuclear forces. The US, meanwhile, was anxious to confine talks to land-based weapons, where it believed the Soviet Union to have a clear advantage.³³

An alternative proposal in the area of strategic arms reductions was revealed soon after the second round ended on 16 July 1985. The Soviet negotiators suggested a ceiling on different categories of strategic weapons which would limit them to a certain percentage of each side's overall arsenal. While the US remained sceptical of the proposal which was not elaborated upon, Robert C MacFarlane, National Security Adviser to President Reagan, gave some indication that the suggestion could be profitably developed in the third round of talks. These were to begin on 19 September 1985.³⁴

● 'Far from having made serious proposals in Geneva on folding up the arms race, the Americans, conversely, are taking steps which are making the process impossible . . . we, of course will have to reassess the entire situation. We just cannot allow the talks to be used anew as a decoy, as a cover for military preparations, the purpose of which is to ensure the strategic superiority of the US and its course of achieving world dominance.' Mikhail Gorbachev, speaking during a visit to the industrial centre of Dnepropetrovsk in the Ukraine. *The Guardian* (London) 27 June 1985.

'Threats are no way to do business.' US Vice-President, George Bush, speaking during a visit to Brussels. *The Guardian* (London) 29 June 1985.

'Strategic stability and trust would, no doubt, be strengthened if the US agreed together with the USSR to reaffirm their commitment in a binding form to the regime of the Treaty on the Limitation of ABM systems.' Mikhail Gorbachev, in reply to a

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message from the US organisation, the Union of Concerned Scientists, which called for a ban on space weapons. *Soviet News* (London) 10 July 1985.

If the 30 per cent reduction in nuclear 'charges' suggested by the Soviet negotiators applied only to missile warheads, 'this would begin to be a serious proposal'. Edward L. Rowley, a Senior US Adviser on arms control. *IHT* (Paris) 26 July 1985.

'The method of aggregation proposed in these concepts seems designed to favour preservation of the Soviet Union's primary area of advantage, that is in prompt, hard-target kill capability, the most worrisome element in the current strategic equation.' Larry Speakes, the White House spokesman, discussing the Soviet proposal for percentage ceilings on different categories of strategic weapons. *IHT* (Paris) 18 July 1985.

'We have seen a few signs that might ultimately prove to be promising.' Robert C. MacFarlane, speaking of the same Soviet proposal. *IHT* (Paris) 26 July 1985.

'There has been no progress and it's not our fault' Victor P. Karpov, chief Soviet negotiator, speaking before the final session of the second round. *IHT* (Paris) 17 July 1985.

'In a negotiation as complex as this one an agreement will not be easily or quickly arrived at. But we do note a greater emphasis on dialogue and a lesser emphasis on polemics.' Max M. Kampelman, chief US negotiator, speaking after the final session of the second round. *IHT* (Paris) 17 July 1985.

▲ Soviet Union-United States Ministerial Meeting Helsinki, 31 July 1985

■ For the first time since he replaced Andrei Gromyko as Soviet Foreign Minister on 2 July 1985, Eduard Shevardnadze met for talks with the US Secretary of State, George Schultz. The ministers were in Helsinki for the commemoration of the tenth anniversary of the Final Act of the Conference on Security and Cooperation in Europe (CSCE), on 1 August 1985.¹⁵ Both ministers were accompanied by leading disarmament negotiators.

The ministers met for three hours in closed session, proposing, according to subsequent reports from US and Soviet officials, prospective agendas for the November summit meeting in Geneva between President Reagan and Mikhail Gorbachev. They were reported to have agreed on a minimum agenda for the summit, consisting of three broad topics: international security issues, including the Geneva arms talks, the Stockholm Conference on Confidence and Security-Building Measures in Europe and the Vienna Conference on European conventional force reductions; regional issues, such as Afghanistan, Central America and the Middle East; and bilateral issues, such as pending agreements on cultural exchanges, air safety, air landing rights, trade and shipping. US officials, however, did not confirm agreement on the agenda, and the US was known to insist on the inclusion of a controversial fourth topic, human rights. The two sides agreed that the meeting had laid the groundwork for a productive summit, but a difference in approach had also begun to emerge. Remarks by Anatoli Dobrynin, the Soviet Ambassador to

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Washington, present throughout the meeting, about achieving 'maximum progress', were widely interpreted as hopeful of the summit giving impetus to the deadlocked Geneva arms talks.³⁶ US officials, however, stressed that the purpose of the summit was merely to establish personal contact between the two leaders, and agreement on a broad plan of future action.

In addition to discussing the summit agenda, the ministers reviewed their respective positions on key issues of controversy, such as arms control and human rights. There was no negotiation, and no progress was made towards breaking the deadlock in the Geneva arms control talks. Eduard Shevardnadze merely repeated the Soviet proposal made in July 1985 of a five month unilateral moratorium on nuclear testing, to begin on 6 August 1985, which would remain in force after 1 January 1986 provided the US also refrained from conducting nuclear tests.³⁷ He also apparently rejected the catalogue of alleged human rights abuses in the Soviet Union which George Shultz had listed in his speech at the Helsinki commemoration,³⁸ as inadmissible interference in the internal affairs of the Soviet Union.³⁹

● 'I think that this meeting can be called a good first step' towards making the Reagan-Gorbachev summit in Geneva 'a genuinely productive meeting'. The talks were 'interesting, useful, frank, business-like, productive'. 'The fact remains that while we see some progress in some areas there are some very deep differences.' George Shultz, *IHT* (Paris) 1 August 1985 and *The Times* (London) 1 August 1985. 'The present-day tense world situation, we are convinced, calls for joint efforts to improve drastically the political climate in Europe and in international relations as a whole.' Eduard Shevardnadze, remarks made on arrival at Helsinki airport, on 29 July. Reproduced in full in *Soviet News* (London) 31 July 1985, p 271. 'The most important thing in US-Soviet relations now is the summit, and the first steps were taken today.' Eduard Shevardnadze, *The Guardian* (London) 1 August 1985.

'This will be one of the most complex summit meetings if only for the reason that in recent years the fabric of relations between our two countries has been destroyed. To destroy is easier than to create. We would like to see a restoration of this fabric that existed in earlier periods.' Anatoli Dobrynin, Soviet ambassador to the US, *IHT* (Paris) 1 August 1985.

▲ South Pacific Forum

Fifteenth Annual Summit Meeting

Rarotonga, Cook Islands, 4-6 August 1985

■ The thirteen member-states of the South Pacific Forum, meeting for their annual summit in the Polynesian Cook Islands, adopted a South Pacific Nuclear Free Zone Treaty on 6 August 1985, the fortieth anniversary of Hiroshima.

The 'Treaty of Rarotonga' bans the manufacture, acquisition, stationing or testing of any nuclear explosive device, and the dumping of radioactive waste, within a vast area of the world's largest ocean, south of the Equator. It also prohibits the export of nuclear material without strict safeguards. Signatories are, however, free to determine their own policies with regard to port or airfield calls by nuclear-capable

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or armed ships or aircraft. At present, a ban on such calls is imposed by the Labour government in New Zealand,⁴⁰ and by Vanuatu, but Australia currently allows port visits by nuclear-powered and nuclear-capable US warships.

The Treaty, originally proposed in 1984 by Bob Hawke, the Australian Prime Minister, was signed by Australia, New Zealand, and six independent Pacific states, the Cook Islands, Fiji, Kiribati, Niue, Tuvalu and Western Samoa. The eight signatures are sufficient to bring it into force. Four more states, Nauru, Papua New Guinea, Solomon Islands and Tonga were expected to sign soon afterwards, but the Prime Minister of Vanuatu, Walteri Lini, was reported to be unwilling to submit the treaty to Parliament for ratification, on the grounds that it was not radical enough.⁴¹

The Forum members determined to send missions to the five nuclear powers (Britain, China, France, the Soviet Union and the US) in an effort to persuade them to sign protocols committing them to observe the treaty. David Lange, Prime Minister of New Zealand, was confident that four of the nuclear powers would lend their support, but doubted that France could be expected to sign more than one of the protocols. France, which was conducting nuclear tests on the French Polynesian Mururoa Atoll, was directly appealed to by the Forum, to cease its testing.⁴² Bob Hawke, meanwhile, when questioned at the meeting, claimed that there was no contradiction between Australia's role as a uranium exporter, and its credentials as an anti-nuclear campaigner.⁴³

●The adoption of the Treaty of Rarotonga was a 'remarkable achievement'. Bob Hawke, Prime Minister of Australia. *The Times* (London) 8 August 1985.

The treaty was a 'good deal'. David Lange, Prime Minister of New Zealand. *Financial Times* (London) 8 August 1985.

'Nuclear tests in the Pacific will continue as long as it will be judged necessary - by French authorities and only by them—for the national defence.' President Mitterrand of France, in a directive issued to the French Armed Forces in August, ordering them to prevent the unauthorised entry of French territorial waters or airspace around the Polynesian Atoll of Mururoa, 'by force if necessary'. *The Guardian* (London) 11 September 1985.

THE NORTH

▲Group of Five (G5)

Extraordinary Meeting of Finance Ministers

New York, 22 September 1985

■Finance Ministers⁴⁴ and central bank governors of the five major Western industrialised countries, Britain, France, Japan, the US and West Germany, met on the initiative of the US. As part of their agreement to conduct mutual surveillance and in preparation for further discussions at the forthcoming IMF and World Bank meetings in Seoul in October 1985, they reviewed economic developments and policies within the five countries.

According to a statement issued after the meeting,⁴⁵ the ministers agreed that the strengthening of the main European currencies and the Japanese yen against the

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dollar was desirable. In effect committing themselves to intervention in the foreign exchange markets, they agreed to use exchange rates to redress the 'potentially destabilising' trade imbalances between their five countries and in particular the US deficit and the Japanese and West German surpluses. Part of the incentive for such intervention was the desire to curb strong protectionist pressures which it was said 'if not resisted could lead to mutually destructive retaliation with serious damage to the world economy'. A depreciation of the dollar to 'better reflect fundamentally economic conditions' would, it was hoped, increase the competitiveness abroad of US exports, thereby undermining the protectionist lobby in the US Congress.

The interventionist stance of the US was welcomed by European countries particularly by France which had long argued that floating exchange rates failed to reflect economic realities.⁴⁶ There was scepticism outside the meeting however as to the magnitude of the effect the threat of intervention in foreign exchange markets would create. At pains to emphasise their unanimous agreement on the need for non-inflationary economic growth and open markets, the members of G5 did not signal any radical departures from their current policies other than over exchange rates. Britain and West Germany agreed to reaffirm their commitments to reduce taxes, Japan to make efforts to stimulate domestic demand and France to liberalise and modernise its financial markets. The US however planned no change in its fiscal policies despite the argument that a depreciation of the dollar would not correct the US trade imbalance without its being accompanied by fiscal reform.

G5 welcomed the GATT preparatory meeting scheduled for September 1985 and recognised the importance of providing access to its countries' markets for developing-country exports, particularly for debtor countries making efforts towards adjustment. The British Chancellor of the Exchequer, Nigel Lawson, revealed the Group's agreement that the role of the World Bank in assisting developing countries to cope with their debt adjustment problems should be expanded.⁴⁷ Such proposals were to be elaborated upon at the coming meetings in Seoul.⁴⁸

● 'These measures will promote greater convergence in economic performance toward noninflationary growth, which can contribute to a strengthening of nondollar currencies . . . We all believe this is a positive means of addressing concerns about the large trade imbalances among our countries'. James A Baker, US Treasury Secretary, at a news conference. *IHT* (Paris) 23 September 1985.

'The indication here is that the possibility of intervention has come nearer to the fore'. Nigel Lawson, British Chancellor of the Exchequer commenting on the G5 communiqué. *Financial Times*, (London), 23 September 1985.

'A first step in helping to put some order in the international monetary system'. Pierre Bérégovoy, French Finance and Economy Minister. *Financial Times*, (London), 24 September 1985.

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NORTH-SOUTH

▲ Africa-Caribbean-Pacific (ACP) Group
Thirty-eighth Ministerial Council Meeting
Brussels, 17-19 June 1985

■ ACP ministers met in Brussels prior to the ACP-EEC Ministerial Council meeting. They were unable to appoint a Secretary-General of the Group, none of the candidates satisfying the requirements for election of a consensus agreement or a two-thirds majority of votes cast. A decision on the matter was postponed until an extraordinary ACP Ministerial Council meeting in Harare in October 1985, but the Council apparently accepted the principle of rotation of the post between six regions of the ACP Group: Caribbean, Pacific and four African. Meanwhile, it was decided that the existing interim Secretary-General, Edwin Carrington, should continue in the post until the ACP Council meeting in October.

The ACP Council approved Angola's accession to the Georgetown Agreement, and its admission to the ACP Group. It also discussed cooperation within the Group, including an air transport meeting due to be convened in Paramaribo, Suriname, on 2-6 September 1985, the ACP October meeting in Harare, as well as the situation in Southern Africa.⁴⁹

▲ Africa, Caribbean, Pacific-European Economic Community (ACP-EEC)
Tenth Ministerial Council Meeting
Luxembourg, 21 June 1985

■ Delegates from the African, Caribbean and Pacific countries met with delegates from the European Community for the first time since December 1984, when the third Lomé Convention (Lomé III) was signed. Marked by the absence of serious disagreement, the Council meeting covered its twenty-point agenda in the course of only one day.

South Africa's recent establishment of an illegal transitional government in Namibia; the raid by its saboteurs on Cabinda in Angola; and the attack by its armed commandos on civilians and refugees in Botswana's capital of Gaborone, made Southern Africa a priority issue. The ACP ministers expressed their concern over South Africa's activities in the region and appealed to the EEC to take specific measures to convince South Africa that it could not attack its neighbouring states with impunity. Attempts to alleviate Southern Africa's economic problems would be futile without the application of pressure against South Africa such as legislation against European and multinational investment in the country. Calling for a meeting of ACP-EEC foreign ministers on Southern Africa, they also supported a proposal made by Tanzania's President Nyerere for a meeting between the foreign ministers of the EEC and those of the Frontline states.

The European ministers replied that they would examine positively the proposal for an EEC-Frontline states meeting. The EEC's commitment to SADC's regional

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development initiatives was also mentioned by Lorenzo Natali, Vice-President and Commissioner for Development of the EEC, who underlined the ACP's view that all such progress was threatened by the South African regime's military operations in the region.

A second issue of priority to the Council was that of drought and famine. Pascal Nze, President of the ACP Ministerial Council, while appreciating the EEC response to the famine in Africa, cited both the need to redouble emergency aid, and to attack the underlying problem of food production in ACP states. He advocated the achievement of regional food security through national food strategies, and called for the extension to all ACP states of improved early-warning systems, such as remote sensing, to control drought and famine. Lorenzo Natali, affirming that 65 per cent of the EEC relief commitment made at Dublin had been fulfilled, cited problems with port and storage facilities, and inadequate transport, to explain the large amounts of grain blocked at African ports. While he welcomed support for early-warning systems and for coordination between donors and recipients of aid to improve food production, he emphasised the need to tackle the fundamental problems of desertification, resulting from both climatic and human factors, without which, he argued, all other efforts would be futile.

The Ministerial Council also considered the question of the accession of Spain and Portugal to the EEC in January 1986. While the ACP Group had been kept informed of the progress of the negotiations on the matter, to avoid the lack of consultation experienced over Greece's admission, its ministers expressed concern on a number of issues: the problem of sovereignty for some ACP Indian Ocean countries, arising from an amendment to Article 227 of the Treaty of Rome; the possible threat to ACP coffee and cocoa exports, as a result of concessions to Spain on Latin American produce; and the curb on sugar exports from Ivory Coast, Malawi, Swaziland and Zimbabwe stemming from an import quota allocated to Portugal which was much lower than the figure it requested. The EEC ministers determined to negotiate the protocol of accession with the ACP Group (under Article 284 of Lomé III) in the autumn of 1985, once the ACP states had studied the documents relating to the original negotiations. Exploratory talks would encompass the effects of the accessions on the products mentioned.

Other issues considered at the meeting had been agreed to some extent at lower levels, only requiring endorsement by the Ministerial Council. They included trade, sugar prices, industrial and agricultural cooperation, Stabex, matters relating to the implementation of Lomé III which entered into force, in principle, in January 1986, and the situation of ACP students and migrant workers in the European Community.⁵⁰

●The ACP countries 'do not want to believe that the Community states are not aware of the destructive effects of the acts of barbarism or piracy carried out or financed by South Africa on the development efforts launched with their own assistance'. Pascal Nze, President of the ACP Council of Ministers.

'Everything we were in the process of building together with our SADDG partners is being jeopardised. South Africa's systematic policy towards its neighbours leads to the undermining of progress made in certain areas. The unstable situation is having dire consequences not only for the countries which have been victims of aggression,

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out also for all the countries in this region.' Lorenzo Natali, Vice-President and Commissioner for Development of the EEC. *Europe agence internationale l'information pour la presse* (Brussels) No. 4115, 22 June 1985, pp 7-8.

▲ General Agreement on Tariffs and Trade (GATT)

Consultative Group Meeting

Geneva, 8-9 July 1985

■ The eighteen-member GATT Consultative Group, a representative cross-section of GATT's ninety contracting parties, met to resolve differences over the initiation of a new round of multilateral trade negotiations (MTNs), prior to a meeting of the GATT Council. By the end of the Group meeting, however, disagreement on the question of trade in services still remained the major obstacle to new round.

The EEC, Japan, Canada and the Nordic countries submitted position papers to the Consultative Group, in reply to doubts expressed over new MTNs by twenty-three developing countries in a paper submitted to the last GATT Council meeting on 5 June 1985.⁵¹ These position papers went a considerable way towards satisfying the developing countries' demands for prior talks on trade in goods. The industrialised countries agreed in principle to the 'standstill' and 'rollback' of protectionist measures and they affirmed that agreement to hold preparatory meetings need commit neither GATT to launching MTNs nor individual members to participation in a new round.

The US, with the formal support of Japan, the EEC and most industrialised countries was, however, insistent on the inclusion in a new GATT round of trade in services, a concept clarified at the meeting by Michael Smith, US Deputy Trade Representative. He said the US was seeking a 'legal framework of rules and procedures' to govern trade in services. The precise activities covered would be subject to negotiation, but the US would include banking, insurance, telecommunications, data processing, shipping, aviation, construction and engineering. The US would expect 'transparency', and obligatory notification to GATT of all laws and regulations intended to protect domestic service industries, and would seek to establish principles governing the behaviour of public monopolies towards foreign competitors. Priority would be attached to reaching agreement on international information flows.⁵²

A Brazilian 'communication' circulated at the meeting objected on behalf of several developing countries that existing GATT rules were inapplicable to trade in services (the seven GATT rounds which have been held since World War I have all been devoted exclusively to trade in goods). It stipulated a series of guarantees to be given by the industrialised countries as preconditions for preparatory talks on MTNs, and affirmed the concept of 'delinking', or that there should be no 'parallelism' between the two independent negotiating processes involving goods and services. This position constituted a hardening of the Brazilian attitude from the 'twin-track' negotiating formula involving goods and services in separate but parallel talks, which had been tabled by Brazil's Foreign Minister, Flavio Setubal, at an informal meeting of some GATT members in June 1985.⁵³ In

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common with some other developing countries, Brazil was anxious for outstanding provisions (particularly those concerning agriculture) from the 1973-9 GATT Tokyo round to be implemented before a new round was begun. It was apprehensive of the possibility that the industrialised countries might force concessions on services as the price of lowering their own barriers to goods, such as Third World textile exports. It also feared that competition from the highly developed service industries of industrialised countries would force its own fledgling industries out of business. The meeting ended in stalemate, as Michael Smith, with the support of the EEC, reiterated the US position that trade in services should be included in MTNs, wholly under the aegis of GATT, thus rejecting the Brazilian conditions.⁵⁴

▲ GATT

Council Meeting

Geneva, 17-19 July 1985

■ The ninety members of the GATT Council failed after two days of discussions to reach a consensus on the convening of a preparatory meeting for a new round of MTNs.

Tran Van-Thinh, the EEC Ambassador, tabled a draft resolution calling for a meeting of senior GATT officials on 9 September 1985, to prepare a new round of talks covering both goods and services. Brazil's Ambassador, Paulo Nogueira Batista, countered with an alternative proposal for a meeting in September to 'explore the possibility' of new negotiations on trade in goods, and a separate meeting in October 1985 for an 'exchange of information' on trade in services. Neither resolution was carried. While at least thirty developing countries had accepted talks on services as the price to be paid for ending protectionism, Brazil's allies, including Argentina, Egypt, Gabon, India, Nicaragua, Nigeria, Uruguay and Zaire, formed a hard-core of opposition. Brazil, moreover, claimed that the US, in the form of Michael Smith, Deputy Trade representative, had formerly accepted its 'twin-track' proposal, only to change its stance, on the prompting of Clayton Yeutter, US Special Trade representative.⁵⁵

The meeting was suspended after the US announced its intention to circumvent the deadlock through an unusual procedural manoeuvre. On 28 July 1985 it formally requested Felipe Jaramillo, the Colombian Chairman of GATT, to call a special session of GATT members in September, by majority vote, thus departing from the tradition of securing decisions by consensus. By 31 August 1985, the deadline for concurrence, sixty-two of the ninety members of GATT had voted in favour of the US move, and on 9 September 1985, Felipe Jaramillo accordingly issued an invitation to GATT contracting parties to examine 'the subject matter and modalities' of a proposed new round of MTNs.

While the US move had been supported by Canada, the EEC, Spain, Portugal and Japan, some of these countries were reported to have reservations about the divisive nature of the tactic. France in particular was reluctant to convene a meeting for which no agenda had been agreed, and which could then result in a further stalemate.⁵⁶ Attempts by the EEC and Japan to arrive at a preliminary understanding through

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informal discussions with the core of the developing countries which had blocked consensus in the Council, were, however, reported to have failed.⁵⁷

●Brazil's draft resolution was 'a serious contribution to unblock the impasse'. Paulo Nogueira Batista, Brazilian Ambassador. *Financial Times* (London) 18 July 1985.

The deadlock in the Council was caused by 'silly procedural manoeuvres'. Peter Murphy, US Ambassador to GATT. *Financial Times* (London) 20 July 1985.

'The time has definitely come for a new major trade negotiation. We need to reaffirm the credibility of GATT rules and reimpose them in areas that have slipped outside the realm of liberal trade. Otherwise, we will wake up one fine morning only to find that GATT has passed into the history books.' Arthur Dunkel, Director-General of GATT. *IHT* (Paris) 20 August 1985.

▲GATT

Textiles Committee Meeting
Geneva, 23 July 1985

■Representatives of the forty-two state parties to the Multi-Fibre Arrangement (MFA) met for the first of a series of meetings under GATT auspices, to determine whether or not to renew the arrangement or negotiate a successor.⁵⁸ The MFA, in force since 1973, and twice extended in 1978 and 1982, is due to expire at the end of July 1986, but the terms of the agreement dictate its being reviewed twelve months before that date.

Representatives of the EEC and Japan were in favour of the negotiation of a successor agreement, and they conceded that a progressive liberalisation of the MFA was required. The MFA, which governs roughly 80 per cent of the world's trade in textiles and clothing, had originally been designed to allow the Western industrialised producers to restructure in the face of rising competition from the low-cost developing-country producers, by guaranteeing them shares in the textile market. Trade liberalisation would in effect mean increased access to Western markets for the textiles and clothing of such countries as India, Indonesia and South Korea. While the EEC representative pleaded continuing difficulties in the Community's textile industries, with consumption virtually stagnant, and unemployment severe, he said that Europe's imports had been steadily developing since 1974, and that he was in favour of progressively freer trade in textiles. The EEC was reported to be anxious to secure its own consensus regarding the MFA before the accession of Portugal and Spain (at the beginning of 1986) which would be likely to bring with them protectionist pressures, in an attempt to safeguard their own textile industries. The Japanese representative advocated a renewal of the MFA without radical changes, but with modifications in the direction of increased liberalisation.

The US representative, meanwhile, though arguing that the negotiation of a successor arrangement to the MFA was in the interests of all countries, dissociated himself from calls for trade liberalisation. Noting that the US textile industry was being adversely affected by increasing imports, particularly from South East Asia, he warned of strong protectionist pressures in the US, already reflected in support within the US Congress for the 'Jenkins Bill' restricting imports.⁵⁹

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Developing countries had already held meetings to coordinate their positions with regard to the MFA's future.⁶⁰ The representative of South Korea, speaking on their behalf, argued that the Committee would have to address the question of whether three features of the MFA could continue to be justified: the protection of the textile and clothing industries of developed countries; special treatment for those countries in the form of derogation from GATT rules; and persistent discrimination against developing countries. Arguing that the textile trading system had become increasingly restrictive and discriminatory, he reiterated the appeal of the twenty-one developing countries in Mexico City earlier in 1985, for the full application of GATT rules to the sector, and their rejection of the approach making the removal of quotas on developing country exports conditional on their making reciprocal trade concessions. The Korean representative also voiced a fear felt generally among developing countries in the Committee, that protectionist legislation pending in the US Congress, if passed, would make the MFA redundant, and possibly undermine the entire GATT structure, through the introduction of unilateral restrictive practices by the US.

However, there was less than total unanimity amongst developing countries in their opposition to the MFA. While 'hardline' developing countries such as India and Egypt had previously been seeking the complete elimination of the MFA, and the opening up of Western markets, the voice of the less 'hardline' but relatively industrially advanced countries, such as South Korea, Hong Kong and the ASEAN member-states, seemed to have prevailed in the Committee. Those countries, which may also have something to fear from the exports of even lower-cost, less-industrialised countries, were seeking the negotiation of a successor agreement.⁶¹

● 'It has failed in its central objective of facilitating structural adjustment in developed countries' textiles and clothing industries and has left us farther away from the goal of trade liberalisation sought in 1974.' Joun Young Sun, representative of South Korea, on the MFA. *Financial Times* (London) 24 July 1985.

The MFA should be operated 'in a more flexible manner'. Jean-Pierre Leng, chief textiles negotiator for the EEC. *Financial Times* (London) 7 August 1985.

'This meeting is taking place in particularly critical circumstances. We have on the one hand an upsurge of protectionist pressures, some of which have translated themselves into proposals for a further tightening of restrictions on textiles and clothing; on the other hand, the contracting parties are engaged in an effort to strengthen the trading system so as to improve its capacity to withstand these pressures and to seek a broad process of liberalisation.' Arthur Dunkel, Director-General of GATT and Chairman of the Textiles Committee. *GATT Focus* (Geneva) August–September 1985.

▲ Association of Southeast Asian Nations (ASEAN)—Australia, Canada, EEC, Japan, New Zealand, US
Meeting of Foreign Ministers
Kuala Lumpur, 11–14 July 1985

■ Foreign ministers of ASEAN (Brunei, Indonesia, Malaysia, Philippines,

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Singapore and Thailand) and its dialogue partners, meeting in Kuala Lumpur, discussed issues including a settlement in Kampuchea, Kampuchean refugees, trade, protectionism and drug trafficking. The meeting followed a gathering of ASEAN Foreign Ministers in Kuala Lumpur several days previously.

In a major speech on 12 July 1985,⁶² the US Secretary of State, George Shultz, gave formal US endorsement to ASEAN's proposal for proximity talks on Kampuchea. Although departing from initial US scepticism of the original Malaysian initiative on the grounds that it implicitly recognised the Heng Samrin regime installed in Phnom Penh by Vietnam, Shultz qualified US support by pointedly affirming his assurance that ASEAN was not moving towards recognition of the 'puppet Heng Samrin regime'. Describing Vietnam as a threat to peace in East Asia, he said that the normalisation of relations between the US and Vietnam was dependent on the withdrawal of Vietnamese troops from Kampuchea, and on a settlement acceptable to ASEAN. Following his recent visit to the Thai-Kampuchean border, where he met leaders of the Khmer People's National Liberation Front, and his recent high-level talks with the Bangkok government,⁶³ Shultz confirmed the US intention to increase military assistance to the 'frontline' state of Thailand, which had already risen from \$39m to \$107m in the past four years.⁶⁴ With regard to Kampuchean refugees, the US and Canada expressed the intention to continue with their resettlement programmes, and the Japanese Foreign Minister announced a doubling to 10,000 of the number of refugees from Kampuchea that it would accept.

George Shultz further detailed a five-point programme of action for world governments to create 'a long period of global expansion and a new era of unprecedented prosperity'. He said the US would reduce its federal spending and fiscal deficit, helping to bring down interest rates and the value of the US dollar, thus easing the international debt problem. He said that Western Europe should make efforts to secure economic expansion; Japan should end protectionism and reduce its trade surplus; and developing countries, especially those in debt, should make structural adjustments by stabilising their economies, decreasing state interference, expanding trade and stimulating growth. He also said that a new GATT round should be supported by all countries as a means to freer trade. Identifying India and Brazil as the main stumbling-blocks to a new round of MTNs, in their opposition to the inclusion of services in the new round, Shultz urged ASEAN to intervene to promote a new GATT round.

ASEAN ministers in their turn endorsed Western proposals for MTNs, but called for greater access to US and Japanese markets. Warning that a US-Japanese trade war could damage the interests of ASEAN members, they expressed concern over pending US protectionist legislation. They also recognised the fact that intra-ASEAN trade was only 2 per cent of all ASEAN's international trade, and determined to make efforts to increase it.

Malaysia led a concerted ASEAN drive against drug abuse and the drug trade, urging the UN to continue its efforts against heroin trafficking in the 'golden triangle' between Burma, Laos and Thailand.⁶⁵

● We are reassured by your statement that you would certainly not want to move in a direction that would imply recognition of the puppet Heng Samrin regime . . . This approach deserves the backing of the international community, and the United

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States certainly supports it.' US Secretary of State, George Shultz, commenting on the Thai proposal for proximity talks between the Kampuchean resistance coalition, and a Vietnamese delegation, including representatives of the Heng Samrin regime. *The Times* (London) 13 July 1985.

ASEAN 'is no longer a small or insignificant segment of the world atlas . . . It has helped immeasurably to give each of the member states a degree of psychological self-confidence which has helped to prevent rash actions and panic policies over all these years.' Datuk Mussa Hiptam, Deputy Prime Minister of Malaysia, assessing ASEAN's first eighteen years. *The Times* (London) 16 July 1985.

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▲ Group of 77 (G77)

Ministerial Conference

New Delhi, 25-26 July 1985

■ Ministers met to review progress on negotiations for a global system of trade preferences (GSTP). The decision to launch these negotiations was taken at a previous G77 Ministerial meeting in New York in October 1982. Developing countries hoped to expand mutual trade through the granting of tariff and non-tariff concessions to each other and through other measures such as long-term contracts. By the time of the meeting, fifty-five countries had indicated their intention to participate in such negotiations.⁶⁶

The conference adopted a declaration urging developing countries to promote mutual trade and fixing a timetable of two years for the establishment of tariff and non-tariff concessions including a general tariff cut of 10 per cent. The negotiating committee was given a deadline of 1 May 1987 by which to complete its work. It was considering three approaches to the expansion of trade: a traditional product-by-product approach, a general tariff reduction of up to 10 per cent on all products and a concentration on specific sectors of particular importance to developing countries such as agricultural and processed tropical products, non-textile handicrafts and textiles. It was decided that the first round of negotiations in Geneva should begin not later than 1 May 1986 and be completed in exactly one year.⁶⁷

▲ Non-Aligned Movement (NAM)

Eighth Foreign Ministers' Conference

Luanda, Angola, 2-7 September 1985

■ Foreign ministers from 71 of the 101 NAM member-countries attended the meeting in Luanda, including the representatives for foreign affairs of SWAPO and the PLO. A further ten participants had observer status, and eighteen were invited guests, including delegations from the Sahrawi Arab Democratic Republic (SADR), El Salvador's guerrilla movement, the FMLN, and Fretelin, the movement fighting for East Timor's independence from Indonesia. Of these groups, SADR and the

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FMLN enjoyed the almost unanimous support of NAM. A division, however, between on the one hand those in favour of supporting Fretelin (the observer Portugal, and its five former colonies) and on the other hand those opposed to its recognition (Indonesia and other states, including African countries such as Nigeria and Senegal with large Muslim populations) resulted in only cursory reference being made to the East Timor group in the final declaration.

This document, dubbed the 'Luanda Declaration', was the result of a final consensus after the revision in a political committee (headed by Cyprus) and an economic committee (headed by Guyana) of draft political and economic declarations. These drafts were prepared for the conference by the host country, Angola. The final document was apparently considerably stronger than that originally proffered by Angola, and reflected the NAM's preoccupation with the situation in Southern Africa. Also indicative of this preoccupation was the choice of a Southern African Frontline state, Zimbabwe, as the Chair of NAM for the next three years, and the host of the eighth NAM summit in 1986.

Iraq, Libya and North Korea had been contenders for the hosting of the next NAM summit, but had all withdrawn in the face of support for Zimbabwe. The spokesman for the two-day Preparatory Meeting which preceded the conference, Angola's Propaganda Minister, Paulino Pinto João, confirmed that the choice was in accordance with an agreement among a majority of NAM countries that, in view of the situation in Southern Africa, a Frontline state should host the summit.

The Luanda Declaration urgently appealed to the UN Security Council to impose comprehensive and mandatory sanctions on South Africa, in an effort to eliminate apartheid. It appealed for the immediate release of Nelson Mandela, and other political prisoners, and for increased moral, political and material aid to the African National Congress (ANC). It condemned the US administration's policy of 'constructive engagement', and the repeal by US Congress of the Clark Amendment prohibiting assistance to the rebel movement in Angola. The military occupation of southern Angola was considered an aggression which must be ended by the complete and unconditional withdrawal of South African troops, and the 'linkage' of this withdrawal with the removal of Cubans from Angola was categorically rejected. The ministers condemned Pretoria's illegal government in Namibia, which they said was in violation of UN Security Council Resolution 435, and advocated increased material and political aid for SWAPO. Concern was expressed at South African attempts at destabilisation in Mozambique, Botswana and Lesotho.

For the first time, a special section of the final document was devoted to the problem of foreign debt. A consensus was formed to the effect that the debt was a political as much as an economic issue, which threatened the stability and sovereignty of developing countries and which called for global and political solutions. The implementation of a new world economic order was advocated as a contribution to a solution, and the IMF was criticised for the stringent measures it was imposing on debtor countries. Approval was given to Peru's formula of limiting debt repayment to a percentage of exports. Cuba and Algeria gave their support to the formula at the meeting, despite previous calls for more radical solutions.

The Luanda Declaration called for the withdrawal of foreign troops from Afghanistan, and the cessation of foreign interference in Kampuchea. It condemned the Israeli occupation of South Lebanon, calling for the immediate withdrawal of

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troops, while affirming the support of NAM for the PLO as the sole legitimate representative of the Palestinian people, and welcoming the Arab League's Fez Peace Plan. US actions against Nicaragua, including the trade embargo, were condemned as violations of international law, and its unilateral suspension of bilateral talks with the Sandinistas was deplored. The Contadora Group was commended as an authentic regional initiative aimed at the peaceful resolution of conflict in Central America. Solidarity was expressed with Cuba, while the maintenance there of US military bases was rejected, as were those in Puerto Rico and the Falklands/Malvinas.

The conference reiterated its appeal for general and complete disarmament under international control, and for the signing of a comprehensive nuclear test ban agreement. It denounced the use of outer space for the introduction of new military technology and urged the creation of an agreement banning chemical weapons entirely. Satisfaction was expressed over the Five Continent Peace Initiative which had resulted in the Delhi Declaration of January 1985.⁶⁸

● 'The Non-Aligned Movement seems relevant again.' Witness Mangwende, Foreign Minister of Zimbabwe. *The Guardian* (London) 9 September 1985.

▲ Arab League

Meeting of Foreign Ministers: Extraordinary Summit Conference
Casablanca, 5 August: 7-9 August 1985

■ The first Arab League Summit since September 1982 met in Casablanca at the invitation of King Hassan II of Morocco, to consider 'issues dividing the Arabs', and more specifically, 'the Palestinian question in all its aspects'.

King Hassan's announcement of the summit came as something of a surprise, a previous attempts, including those of Jordan and the PLO, to rally Arab support for a summit had failed. The Chairman of the PLO, Yasser Arafat, had been urging discussion of the attacks by Shiite Muslim militias on the Palestinian refugees in Beirut camps, ever since they began in May 1985. Both Yasser Arafat and King Hussein of Jordan were also anxious for united Arab endorsement of their Amman Accord, of 11 February 1985.⁶⁹ This was intended to pave the way for a joint Jordanian-Palestinian delegation to negotiate a settlement with Israel, based on UN Security Council resolutions (particularly Resolution 242 of 1967) involving the recovery of the Israeli-occupied West Bank and Gaza Strip, and the creation of a Palestinian State confederated with Jordan. Moves for a summit had been repeatedly blocked by Syria, which accused the PLO of complicity in the attacks on Palestinian refugee camps. Syria had supported Palestinian factions opposed to the leadership of the PLO, and had strongly opposed the Hussein-Arafat Accord. In consequence of this obstruction, King Hussein had been promoting what he termed 'a new constructive alignment of Arab countries'.⁷⁰ Such an alignment might involve abandoning the customary requirement of unanimity from Arab League members in favour of majority support for Jordanian-PLO 'moderate' peace initiatives leading to the isolation of Syria and other states which rejected those plans.

Prospects for a summit had improved, however, when Saudi Arabia, which had

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been assiduous in its attempts to remain neutral in the deepening conflict between Jordan and Syria, agreed to attend. The summit was boycotted, by five of the twenty-one League members: Algeria, Lebanon, Libya, South Yemen and Syria. (A Libyan representative attended the prior meeting of foreign ministers, but left without explanation the day before the summit, having denounced the PLO for its accommodation of Israel, and Iraq for its aggression against Iran.⁷¹ Of the sixteen members in attendance, only ten were represented by heads of state, others, including Iraq, Kuwait and Oman, sending lower-level representatives. Notably absent was King Fahd of Saudi Arabia, who chose to send the heir apparent, Crown Prince Abdullah, in his stead, amidst speculation that although willing to align itself to the more moderate League members, Saudi Arabia was not prepared to antagonise Syria.

While the foreign ministers were reported to be unable to agree on an agenda for the summit, its recognised priority was consideration of the Amman Accord, the purpose being, according to King Hassan's invitation, 'to determine whether it conforms with the Fez peace plan'. This plan, formulated at the last Arab League Summit in Fez, in September 1982, with Syria in attendance, had unequivocally demanded Israel's withdrawal from the territories occupied in 1967, and the establishment of an independent Palestinian state with Jerusalem as its capital. It had been the first Arab peace proposal which implicitly recognised the state of Israel, in that it called for the peaceful coexistence of 'all states in the region'.⁷² Although there were reported to have been slight differences in approach at the summit between King Hussein and Yasser Arafat, with King Hussein seeking absolute confirmation of the Amman Accord, and the PLO Chairman unwilling to force the issue for fear of exacerbating divisions in the Arab world, much of the summit was spent in their presentation of the joint peace initiative as a 'mechanism' for the implementation of the Fez peace plan.

A final communiqué⁷³ confirmed the League's adherence to the spirit, principles and resolutions of the Fez Summit. The conference also 'recorded with full appreciation' the detailed explanations of King Hussein and Yasser Arafat on the compatibility of the Amman Accord with the Fez peace plan, and 'regarded it as a plan of action to implement the Arab peace plan for the achievement of a peaceful, just and comprehensive settlement guaranteeing the withdrawal of the Israeli occupation forces from all the occupied Arab territories, at the forefront of which is Holy Jerusalem, and securing the regaining of the firm national rights of the Palestinian Arab people.' This cautious endorsement of the Amman Accord rejected the contention of the Kuwaiti foreign minister that the Fez and Amman plans were incompatible. The communiqué also indirectly criticised Syria by 'affirming support for the PLO as the 'sole legitimate representative of the Palestinian Arab people', asserting its right to independence in national decisionmaking, and condemning interference in its internal affairs. The PLO and the Lebanese Government were urged to 'cooperate and coordinate' to protect the Palestinian camps in Lebanon.

Following a last-minute item added to the agenda, Iran's disregard for all peace proposals in its five-year war with Iraq was condemned. The Arab states said they would have to reconsider Arab relations with Iran, if the war was prolonged, and pledged continued financial support to Iraq. The summit established two

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committees, one under the joint chairmanship of Saudi Arabia and Tunisia to reconcile differences between Jordan and Syria, and between Syria and Iraq; and the other chaired by Mauritania, Morocco and the UAE to reconcile Iraq with Libya, and Libya with the PLO. No mention was made of effecting a reconciliation between the PLO and Syria. Finally, the summit charged King Hassan with presenting the Arab case to the leaders of the US and the Soviet Union before their summit in November 1985.

While these decisions were made by majority, no formal resolutions were passed, as it was felt that the five states not represented could not be bound by them. Nor was the question considered of Egypt's readmission to the League, after its expulsion in 1979 following its separate peace treaty with Israel. Such a decision, it was felt, could not be made while attendance at the summit was incomplete.

Despite fears, notably on the part of the Omani Foreign Minister, Yusef el-Alawi, for the future of the Arab League, the way was left open at the end of the summit for the regular League session, tentatively scheduled for November 1985, in Riyadh.⁷⁴

● 'We simply can't go on like this.' King Hussein of Jordan, calling for a new constructive alliance of Arab nations. *IHT* (Paris) 29 July 1985.

'The big question at the summit is whether this is the last summit of the Arab League. I think it will be.' Yusef el-Alawi, Foreign Minister of Oman. *IHT* (Paris) 8 August 1985.

'If these initiatives are compatible with the Fez plan, the summit can only approve them. In the contrary case, the summit will invite the Jordanians and the Palestinians to modify their actions or abandon their initiative.' King Hassan II of Morocco, speaking of the Amman accord. *IHT* (Paris) 5 August 1985.

'The summit has not given the red light to the Jordanian-Palestinian plan.' Yasser Arafat, Chairman of the PLO. *Afrique-Asie* (Paris) 26 August 1985 (Translation from an interview reported in French.)

▲ Arab League

Council of Foreign Ministers: Eighty-fourth regular Meeting
Tunis, 9–11 September 1985

■ Foreign Ministers met to review the latest developments in the Arab world since their last regular session in March 1985⁷⁵ and particularly since the Arab League summit in Casablanca.

Following the presentation of a report by the Secretary-General of the League, Chadli Klibi, on the Palestinian issue, the Council was reported to have denounced the attack on the Palestinian refugee camps in the Lebanon, particularly the Bourjel-Barajneh camp in Beirut. The Council reportedly reiterated its guarantees of the security of the Lebanese refugee camps. According to a communiqué issued after the meeting, the Council members gave unanimous support to Jordan for defending its territorial integrity against threats from Israel. The Council also studied proposals for setting up a fund to finance schools in the Israeli-occupied territories.

Arab-African cooperation was an important issue at the session. In his speech to

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the Council, Chadli Klibi discussed the need to contain Israeli penetration of Africa through an increased Arab presence, particularly in the technical and cultural fields. The possibility of increased aid to drought-stricken Africa was discussed. According to the communiqué, the Council also pledged a boycott of South Africa, supporting sanctions against the regime. It condemned the US and other countries which assisted South Africa and appealed to the African people to resist collectively attempts at collusion between Israel and South Africa.⁷⁶

▲ OPEC Ministerial Monitoring Committee
Twentieth Meeting
Geneva, 23 April 1985

Ministerial Executive Council
Fourth Meeting
Geneva, 30 April–19 May 1985

■ OPEC's Ministerial Monitoring Committee (MMC)⁷⁸ met in April to consider a report by its marketing experts on the state of the world's oil market. The report estimated that demand for oil in 1985, outside the communist world, had increased less than one per cent from the figure for 1984, and that demand in the coming months was likely to be lower than had been previously forecast, owing to the poor overall economic performance of the industrialised countries. Noting that some member countries were exceeding their production quotas, the committee urged compliance with individual quotas and with the overall OPEC production ceiling of 16m b/d, agreed in October 1984.⁷⁹ The committee expressed concern that OPEC's official price structure would be further undermined unless the supply of oil was restricted.⁸⁰

It cautioned against the possible impact on the price structure of increased volumes of refined product exports from member-countries, and criticised some countries for direct and indirect discounting from official prices, and the practice of bartering oil for other products, on the grounds that they weakened the market still further.⁸¹

The meeting of the MMC was followed by a meeting of OPEC's Ministerial Executive Council, established in December 1984 as a supervisory body for the audit and control of oil production and prices in member-countries.⁸² Council members expressed a determination to maintain OPEC's price structure, and to discipline countries exceeding their production quotas. The Council notified Ecuador that its membership of OPEC would be reconsidered if it continued to flout its production quota, and Nigeria, which is the only OPEC country which has not admitted OPEC's auditors, was persuaded to grant permission for the auditors to visit the country to monitor export levels.⁸³ The Council agreed that technical problems in setting up a monitoring system for production quotas and prices had been successfully resolved.

Other issues discussed included the monitoring of condensate output by the auditors, how to categorise crude oil supplies by Saudi Arabia and Kuwait on behalf of Iraq on a line-swap basis, and the problem of Dubai, which has refused so far to observe OPEC's price or production regulations. Given Algeria's continuing

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objections to the monitoring of condensates, the MEC decided that the auditors should delay monitoring them until the issue had been discussed by the full OPEC Conference.⁸⁴

● 'Saudi Arabia and OPEC as a whole will do their best so as to prevent a further drop in oil prices' Sheikh Ahmad Zaki Yamani, Oil Minister of Saudi Arabia. *IHT* (Paris) 8 May 1985.

▲ OPEC

Ministerial Executive Council

Fifth Meeting

Taif, Saudi Arabia, 2-3 June 1985

■ Convened at Saudi Arabia's request to consider how best to defend OPEC's oil price structure against the downward pressure on prices, the Ministerial Executive Council meeting was attended by its five members and by the oil ministers of Kuwait, Iran, Ecuador, and a non-OPEC member, Mexico.

During prior informal consultations at Taif, Sheikh Yamani conveyed a message from King Fahd, warning of Saudi impatience with the departure of some OPEC members from agreed production quotas and prices. He made it clear that Saudi Arabia was becoming tired of acting as 'swing producer', restraining its own production in the face of other producers' excesses, in order to maintain the 16m b/d OPEC ceiling, and keep oil prices up.⁸⁵ The message in effect constituted a warning that Saudi Arabia might release large volumes of oil on to the market, selling increased quantities of oil and forcing down prices. It was thought that only the two low-cost producers, Saudi Arabia and Kuwait would be likely to survive such a drastic flooding of the market. In a similar bid to discipline OPEC members, a resolution was tabled to impose sanctions, including expulsion, on those exceeding production quotas.

Despite extensive speculation prior to the meeting on the possibility of price cuts being recommended (with Saudi Arabia known to be in favour of reductions in the price of heavy crude oil, and Libya and Algeria absent from Taif, apparently in protest against the proposal), the issue of prices was not discussed. OPEC's President, Dr Subroto of Indonesia, attempted to quell speculation after the meeting by releasing a statement through OPECNA, the official OPEC news agency, to the effect that there was no prospect of price cuts. Nor was the equally contentious issue of changes in production levels debated. A request from Ecuador for a raising of its quota was rejected outright, and the maintenance of the existing 16m b/d OPEC ceiling was supported.

The two issues of price differentials between different grades of oil, and production quota allocations, have been particularly divisive within OPEC, as they have highlighted conflicts of interest within the organisation. A reduction in the price of heavy crude oil, in accordance with a slump in demand for fuel oil, would benefit certain producers, such as Saudi Arabia and Kuwait, at the expense of producers of light crude oil, such as Algeria, Libya, Iran, Nigeria and the UAE. These countries have been unwilling to see their oil being made less competitive through OPEC price

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differentials being brought into line with market differentials.⁸⁶ Similarly, Saudi Arabia's insistence on restoring its own share of the market, and curbing the over-production of other OPEC members, stoked resentment over the original production quotas, which, it was agreed, favoured sparsely populated states such as Saudi Arabia, while restricting the production of populous states outside the Gulf, who were suffering from development problems and onerous external debts.

It was decided at Taif, that in view of the serious problems confronting the market, the date of the full OPEC conference should be brought forward from 22 July to 30 June 1985, though this was subsequently deferred till 5 July 1985.⁸⁷

● 'If some OPEC producers can sell as much oil as they can at any price, then others will also be free to do as they please'. Message from King Fahd of Saudi Arabia, to the Ministerial Executive Council. *IHT* (Paris) 6 June 1985.

▲ OPEC

Ministerial Monitoring Committee
Twenty-first Meeting
Vienna, 4 July 1985

OPEC Conference
Special Consultative Meeting
Vienna, 5-7 July 1985

■ Unable to agree on changes in price or production levels, the Ministerial Monitoring Committee decided to recommend to the conference that they remain constant.

In an abrupt change of position from an advocacy of price cuts for heavy crude oil, Sheikh Yamani declared Saudi Arabia's support for the present price structure, but called for a reduction of OPEC's production ceiling prior to the MMC meeting. Neither of these alternatives was without opposition amongst MMC members, however. At a meeting in Algiers between the oil ministers of Kuwait, Venezuela and Mexico, and those of Libya and Algeria (known to be supported by Iran) the North African countries had remained adamant in their rejection of price cuts, and of any reduction in the differential between heavy and light crude oil. On the other hand, populous and impoverished states, such as Nigeria and Ecuador were already known to be reluctant to countenance cuts in output.

At the three-day talks in Vienna, the Conference was not promoted from consultative to ministerial status, as no strategy for halting the slide in oil prices could be agreed upon. It was decided to leave the price structure unchanged, and based on the marker of \$28 per barrel for Saudi crude. A Kuwaiti proposal for a 7 per cent cut in OPEC's production ceiling, to just under 15m b/d was blocked, and instead, a range of mechanisms was proposed for regulating prices.

A committee was set up to report to the forthcoming Geneva conference on the feasibility of establishing a central market monitoring agency to control oil flows and prices. A system of seasonally adjusted production ceilings, with fluctuations of 7 per cent above and below the existing level, was agreed in principle. The ministers also

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considered a proposal made at the MMC by Iraq's oil minister, Qassim Taki al-Oraibi, for the sharing of OPEC's oil revenues amongst its members, to replace the regulation of production. Such radical reforms were widely held to be impracticable, however, because they would further impinge on the sovereignty of OPEC's member-states, and somewhat irrelevant to OPEC's most pressing problems. More specifically, a public pledge was made to end unofficial price discounting, but this announcement was qualified by Nigeria's undertaking to abide by it only if other members did so.⁸⁸

● If we find that another country will not obey the rules we will not feel obliged to obey the rules.' Tam David-West, Nigerian Oil Minister. *The Guardian* (London) 9 July 1985.

▲ OPEC

Ministerial Committee on Price Differentials
Geneva, 21 July 1985

OPEC Ministerial Conference
Geneva, 22-25 July 1985

■ Convening after a meeting of the Ministerial Committee on Price Differentials,⁸⁹ the full OPEC Conference on the initiative of Saudi Arabia deferred decisions on individual and collective production levels until the autumn. Despite formal requests for higher quotas from Iraq, Ecuador, Gabon and Qatar, eleven OPEC members agreed to the elimination of the issue from the conference agenda, only Algeria and Ecuador abstaining. The major issues discussed by the conference were price differentials and production discipline. Mexico attended the conference as an observer.

Saudi Arabia, Kuwait and Venezuela, the only three OPEC members selling their oil at official rather than discounted prices, proposed the reduction of heavy crude oil prices to bring OPEC prices more into line with market differentials, Venezuela threatening to lower its prices unilaterally, following recent cuts by the non-OPEC member, Mexico.⁹⁰ The proposal was resisted by Algeria, Libya, Iran, UAE and Nigeria, but the conference had been poised on the point of agreeing to a 50¢ per barrel cut in Arabian heavy, and equivalents, and a 20¢ per barrel cut in Arabian medium, and equivalents, when Saudi Arabia unexpectedly pushed for a larger, 60¢ cut on heavy crude. Only after the Iranian Oil Minister, Mohammed Gharazi, had walked out, and threatened to abandon the conference in protest, was agreement reached on the price reductions suggested initially. Ten members voted for the proposal; it was opposed by Algeria, Iran and Libya. Despite plans to expand Saudi production (reported to have fallen to 2.2-2.3m b/d) the cut in the price of Arabian heavy was thought unlikely by experts to solve Saudi Arabia's problems, the price of \$26 per barrel remaining \$1 above the spot-market price.

While the conference was reported to have been preoccupied with the issue of discipline amongst OPEC members over production and price levels, no mention was made in the press communiqué of a proposed resolution to extend the powers of

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OPEC's auditors. Five member-countries were reported to be refusing to open their books to the auditors, but little or no progress was made on the issue.⁹¹

●'We are going to enter into a comfortable phase which shall last up to the end of next winter'. Sheikh Yamani. *The Guardian* (London) 1 August 1985.

The decision on prices 'has no meaning at all'. Algeria's Oil Minister, Belkacem Nabi. *IHT* (Paris) 26 July 1985.

▲Organisation of Petroleum Exporting Countries (OPEC)

OPEC Ministerial Conference

Vienna, 3-5 October 1985

■The Conference met to reconsider the question of output quotas, which it had failed to resolve in July. Once again the ministers were unable to reach agreement on the allocation of quotas among OPEC's thirteen members.

Six OPEC members, Ecuador, Gabon, Iraq, Iran, Qatar, and the UAE were all requesting increased quotas. The Libyan delegate made it known that Libya, too, would expect a higher quota if the other countries were successful in their requests. The Conference agreed, however, that the overall OPEC ceiling of 16m barrels a day (b/d) must remain constant in order to prevent the market from being flooded. No members were willing to accept the reduction in their own quotas necessary to make increases possible for others, while maintaining the OPEC ceiling.

The Ecuadorian delegates boycotted the latter stages of the Conference in protest at the low priority they believed their claim was receiving. (Kuwait, apparently seeking a compromise on the quotas issue, reportedly had suggested that the claims of Iraq and Iran should receive priority consideration, given the state of war between those two countries.) Ecuador, known to be exceeding its 183,000m b/d quota by about 100,000m b/d, announced its intention to continue to produce at its current rate. Moreover, it suggested that it would reassess its membership of OPEC unless its claim was recognised. Iraq, also exceeding its quota, let it be known that it intended to boost its exports by the full 500,000m b/d afforded by the extra capacity from its new link with the Saudi transpeninsular pipeline system.

A decision on individual quotas was deferred until the next conference, scheduled for 7 December 1985, in Geneva. In the meantime, Saudi Arabia was understood to be prepared to constrain its own output in the last quarter of 1985, in order to keep OPEC's overall production within the original ceiling. Saudi Arabia had recently given signs of unwillingness to continue its traditional role as OPEC's 'swing producer'. It had concluded a number of 'netback' agreements with US oil companies (Exxon, Texaco and Mobil), selling its oil at market-related prices. (The netback system sets prices low enough to ensure the buyer a profit after taking into account refining and transport costs.) Saudi Arabia had thus been able to boost its flagging production to around 3.5m b/d, though this remained below its quota of 4.5m b/d. Other OPEC members viewed these developments with alarm, despite the fact that many of them were themselves selling their oil at discounted prices.⁷⁷

●'Either we have to increase the 16m ceiling or someone will have to reduce.' Dr

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Subroto, Indonesian Minister for Mines and Energy and President of OPEC. *Financial Times* (London) 4 October 1985.

'We have the right to produce what we want. Our quota is not a real one.' Qassim Taki al-Oraibi, Iraq's Oil Minister, arguing that Iraq's quota was set artificially low because of war damage to export facilities *IHT* (Paris) 3 October 1985.

'Iraq does whatever it likes and in most cases it doesn't abide by the rules.' Mohammad Gharazi, Iran's Oil Minister. *IHT* (Paris) 3 October 1985.

'We need an extra quota for peaceful purposes, not to sustain a war.' Fernando Santos Alvite, head of Ecuador's delegation. *IHT* (Paris) 4 October 1985.

'We will increase production as the market demands.' Sheikh Yamani, Saudi Oil Minister. *Financial Times* (London) 5 October 1985.

▲ Organisation of Arab Petroleum Exporting Countries (OAPEC)

Thirty-fourth Ministerial Council Meeting

Algiers, 3 May 1985

■ Delegations from ten member states⁹² participated in a closed session under the chairmanship of the Iraqi Oil Minister, Qasim Ahmed Al-Uraibi.

A press communiqué issued after the meeting⁹³ confirmed the establishment by the Council of two annual prizes for Arab and foreign scientific research of significance to the Arab oil industry and Arab energy. The Council also examined the OAPEC Secretariat's reports on the application of solar energy within the Arab world in heating and cooking, on the oil and gas industry and on other issues.

The Council re-elected Ali Ahmed Attiga as OAPEC's Secretary-General for another three years from 21 September 1985 and agreed to convene its next meeting on 27 November 1985 in Baghdad.⁹⁴

▲ Gulf Cooperation Council (GCC)

Fifteenth Ministerial Council Meeting

Abha, Saudi Arabia, 8-9 July 1985

■ Foreign Ministers of the six GCC states (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates) reviewed developments in the region and particularly those in the Iraq-Iran war.

According to its final communiqué,⁹⁵ the Ministerial Council determined to continue its support for efforts to bring about a peaceful solution to what it termed 'this devastating war'. The ministers condemned the recent assassination attempt against the Amir of Kuwait, Shaykh Jabir al Ahmad al-Sabah, calling for an intensification of efforts to curb such 'criminal' acts of 'sinful aggression'. They called on Iran to release the ship *Muhurraq* belonging to the United Arab Shipping Company which they said had been detained in violation of international and maritime law.

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The Council reviewed the recommendations by various ministerial committees in the economic field. It was agreed to convey two of them to the GCC Supreme Council: one allowing GCC producers to market their products directly without the need for local agents and one approving equal treatment in terms of rights and obligations concerning employment for all GCC citizens working in the private sector.⁹⁶

▲GCC

Sixteenth Ministerial Council Meeting
Riyadh, 2–3 September 1985

■GCC Foreign Ministers met to discuss the regional situation and the state of inter-Arab relations following the Arab League summit in Casablanca in August 1985.

According to the final communiqué,⁹⁷ the Council reaffirmed its preparedness to expedite any peaceful solution to the Iraq–Iran war ‘that takes into consideration the legitimate rights of the two sides’. The Council regretted what it described as Iran’s continued refusal to respond to efforts to end the war through negotiation and reconciliation.

Ministers emphasised the importance of Arab unity and of the Arab reconciliation committees formed at the Casablanca summit. They declared themselves ready to play a role ‘in creating the best possible atmosphere and in backing the activities of these committees’. Finally, the Council reviewed the work of various ministerial committees and decided to convene a preparatory session in October 1985 for the November GCC summit in Muscat.

According to the chairman of the meeting, the Kuwaiti Deputy Prime Minister and Foreign Minister, Shaykh Sabah al-Ahmad al-Jabir al-Sabah,⁹⁸ the Council also discussed economic cooperation between the GCC and the EEC in anticipation of a meeting later in 1985 between the GCC Council chairman and the President of the EEC Commission. The two sides have reportedly already held two rounds of talks in Bahrain and agreed to negotiate on four issues: the opening of European markets to Gulf petrochemicals, investment, trade relations and technology transfer.⁹⁹

●‘The situation in our region has not witnessed an improvement that evokes optimism; on the contrary, these days we are witnessing a dangerous escalation which contravenes wisdom and does not respect logic’. Shaykh Sabah al-Ahmad al-Jabir al-Sabah, Deputy Prime Minister and Foreign Minister of Kuwait and chairman of the meeting, to the meeting. *BBC Summary of World Broadcasts*, MF/8047/A/1, 4 September 1985.

▲Cartagena Group of Latin American Debtor Countries
Meeting of Foreign Ministers
Lima, 29 July 1985

■Foreign ministers of the eleven countries in the group decided to adopt a common position on their dialogue with the EEC. This decision followed a meeting

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at which the group expressed its concern over the increasing protectionism of Western countries, their reduction of new loans and stringent repayment terms.

Having made contact with the EEC in April 1985 and encouraged by its constructive approach to the concerns of Latin American countries, the Foreign Minister of Uruguay and Secretary of the Cartagena Group, Enrique Iglesias, announced that a steering group would lay the groundwork in August for a conference of economic and foreign ministers in Montevideo which would in turn pave the way for an increased dialogue on economic issues with the EEC.¹⁰⁰

▲ Latin American-Caribbean Conference on External Debt Havana, 30 July–3 August 1985

■ Participants at a five-day conference in Havana endorsed calls by the Cuban President, Fidel Castro, for the collective repudiation of the \$360bn debt owed by Latin American countries to foreign banks and credit agencies.

In a message stressing the gravity of the region's debt, its 'unbearable' and 'unpayable' nature, and the unacceptability of solutions proposed by the International Monetary Fund (IMF), President Castro had invited political leaders, academics, economists and representatives of church, trade union and women's organisations to participate in 'a discussion without any prior document and which does not seek to reach agreements or conclusions'.¹⁰¹ The invitation followed regional conferences in Havana of women's and labour leaders, during which President Castro had elaborated possible solutions to the debt problem, in the form of proposals for a debtors' cartel or a debt moratorium. Widely seen as an attempt to seize the leadership of the region on one of its most pressing issues, President Castro's initiative has also been viewed as a further move towards the ending of Cuban isolation in Latin America.

Brazil's leadership, however, was among the first to decline the invitation to send an envoy. President José Sarney announced Brazil's intention to honour its foreign debts, and declared the Cartagena Group to be the proper forum for discussion of Latin American debt.¹⁰² President Miguel de la Madrid, of Mexico (Latin America's second largest debtor country, with a total debt of \$93bn compared with Brazil's \$105bn¹⁰³), similarly refused official representation, rejecting suggestions of a debt moratorium for the region. The Peruvian President, Alan García Pérez, joined the other major debtors, Argentina, Venezuela and Colombia, in refusing to attend. In his inaugural address on 28 July 1985, Alan García had announced his intention to honour Peru's \$14bn debt, but had said that Peru's repayments would be limited to 10 per cent of its exports over the coming year, and that Peru would hold bilateral restructuring negotiations with creditors, thus bypassing the IMF, which he described as 'an accomplice' in the country's economic crisis.¹⁰⁴ He had cautioned, however, that the region's debt problem should be seen in North-South, rich-poor terms, rather than in the context of the East-West conflict. Discontent over foreign debt had been noticeably growing in all these countries, with high interest rates and stringent repayment terms seen as obstacles to recovery in a region largely in recession since 1982. Political leaders had been increasingly expressing their opposition to the austerity programmes prescribed by the IMF.¹⁰⁵ Their rejection of Castro's radical solution in part reflected a perception that the Cuban position was

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different from other Latin American debtors. Cuba owed sums of money to the Soviet Union, whose 'soft' terms President Castro was unlikely to repudiate, and Cuba had negotiated the third rescheduling of its relatively small \$3bn debt to Western creditors just prior to the conference.¹⁰⁶ In the event, no serving president attended the conference, though there were government delegations from Nicaragua, Guyana and Bolivia, and the 1,200 delegates included several former presidents and prime ministers from the region.¹⁰⁷

In his speech to the conference, and in earlier speeches in Havana, President Castro emphasised a number of points:

- The impossibility of repayment of the region's debt, particularly when Western industrialised countries maintain high interest rates and low commodity prices and protect their own markets.
- The insufficiency of Peru's formula for limiting repayments to a percentage of export revenues, which would not solve the problem.
- The necessity of supplementing debt cancellation with renewed efforts towards the establishment of a New International Economic Order (NIEO).
- The benefits which would accrue to the industrialised economies from increased Latin American purchasing power, particularly in terms of increased employment.
- The futility of transferring resources to the Western countries, which would then use them to finance the arms race, and the US Strategic Defense Initiative.
- The moral right of Latin America to cancel the debt, which had been incurred in most cases by repressive military dictatorships, without the consent of the people.
- The prospect of social and political upheaval across the continent if the burden of debt were not removed.¹⁰⁸

● 'The debt must not be made into an instrument for ideological warfare, or for a confrontation between East and West.' President José Sarney of Brazil. *The Guardian* (London) 24 July 1985.

A debt moratorium is 'out of the question'. President Miguel de la Madrid of Mexico. *IHT* (Paris) 27–28 July 1985.

'This solution may seem attractive at a theoretical or emotional level, but it would be an irresponsible decision because it would have adverse effects on future economic development.' Jesús Silva Herzog, Finance Minister of Mexico. *IHT* (Paris) 27–28 July 1985.

'We will pay the debt, but later on.' President Alan García Pérez of Peru. *The Observer* (London) 28 July 1985.

'It's not that we don't want to pay the debt. We are simply unable to do so.' It constitutes 'economic strangulation'. Freddy Justiniano, Planning Minister of Bolivia, at the conference. *The Times* (London) 1 August 1985 and *The Guardian* (London) 2 August 1985.

'There is no other choice—cancellation of the debt or the political death of the democratic processes in Latin America.' President Fidel Castro of Cuba. *IHT* (Paris) 20 August 1985.

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▲ Caribbean Community (CARICOM)

Sixth Annual Summit Conference

Bridgetown, Barbados, 1-4 July 1985

■ The annual summit, attended by the heads of government of twelve member-states,¹⁰⁹ was dominated by the issue of intra-regional trade. Trade between CARICOM members had declined by 25 per cent in the previous three years, as a result of increased protectionism and the expansion of imports from countries outside the region. With two of the largest CARICOM members, Guyana and Jamaica, suffering particularly from the recession, the group acknowledged a need to curb the spread of protectionism and to reaffirm the principle of preferential access to each others' exports, although they were able to make only marginal progress towards these goals.

The Nassau Understanding on Structural Adjustment, a joint agreement formed at the previous year's summit in the Bahamas, required the removal of protectionist barriers against selected goods within the region, and the raising of a common external tariff against outside imports.¹¹⁰ By the time of the Bridgetown summit, however, the terms of the Understanding had been applied by only four states, Barbados, Guyana, Grenada and Saint Christopher-Nevis-Anguilla. The other CARICOM states had missed two successive deadlines for the application of the agreement: 1 January and 1 June 1985. They reaffirmed at the summit their intention to implement the provisions they had agreed upon. The summit accordingly fixed a further deadline of 31 August 1985, as specified in the final communiqué.¹¹¹ New liberalised marketing arrangements for primary agricultural products and livestock were, meanwhile, to be established by 30 September 1985.¹¹²

More progress towards the promotion of intra-regional trade was reported to have been made in bilateral discussions.¹¹³ Trinidad and Tobago which had been persistently criticised by other CARICOM members for its increasing protectionism (seen to operate to the detriment of industries such as those in Barbados) agreed to lower its import barriers on all but a few (unspecified) goods.

Another factor seen to be hampering the growth of intra-regional trade was the lack of a regional credit mechanism. The CARICOM Multilateral Clearing Facility (CMCF) had been suspended two years earlier, when it reached its \$100m ceiling. No formula could be found to revive the moribund facility, but the communiqué said that debtor countries undertook to attempt to reduce their indebtedness, in particular by supplying East Caribbean net importers of sugar with their own surplus produce, and transferring the proceeds to the CMCF. This provision was reported to apply mainly to Guyana, the largest debtor, which owed \$70m to the facility. Jamaica, too, was reported to have announced its willingness to pay off its \$4m debt. The communiqué also mentioned the summit's interest in a proposal for the creation of a new trade credit facility, to provide credit for trade in specific products with the potential to be internationally competitive. The summit communiqué endorsed a further proposal to establish a 'third window' within the World Bank, to ensure concessionary financial flows to middle-income developing countries. Smaller developing countries in the region, it said, were being threatened with ineligibility for IDA concessional funds, on the basis of the application of the per capita criterion.

The CARICOM members reaffirmed their support for the sovereignty and territorial integrity of Belize, noting that Guatemala had recently demonstrated

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more flexibility on the issue of its claim to the territory. The also reaffirmed their strong support for the Contadora process in Central America.

Renewed commitment was made at the summit, both to the floundering West Indies Shipping Corporation (WISCO), and to LIAT, the intra-regional air carrier, threatened by a British takeover attempt. Member-states agreed to coordinate their approach to regional aviation. Other issues discussed included the initiative of the Caribbean Development and Cooperation Committee (CDCC) to focus international attention on the problems of small island developing countries; the Caribbean Basin Initiative (CBI) to foster US-Caribbean trade; the Barbados Consensus on the development of local regional entrepreneurship and skills in the CARICOM member-states; Lomé III; and drug trafficking.

The next regular CARICOM summit was fixed for July 1986 in Guyana.¹¹⁴

● 'Although there was not as much progress as we would have liked, there were some positive decisions on air transport, trade credits and agricultural products,' Bernard St John, Prime Minister of Barbados. *The Times* (London) 6 July 1985.

'Although the first and second target dates were missed, I have seen some movement on this. I hope the momentum will be maintained,' Roderick Rainford, Secretary-General of CARICOM. *Financial Times* (London) 11 July 1985.

▲ Contadora Group

Meeting of Foreign Ministers

Contadora Island, Panama, 21-22 July 1985

■ Foreign Ministers of the four-nation Contadora Group (Colombia, Mexico, Panama and Venezuela) held a two-day meeting to re-launch the peace process in Central America after the failure of a meeting with the deputy foreign ministers of the five Central American countries in June 1985. The June meeting had been convened to consider revisions advocated by the pro-US Central American countries (Costa Rica, El Salvador and Honduras) of security clauses contained in the draft Peace and Cooperation Treaty. It had foundered, however, when the representative of Nicaragua (the only Central American country to agree to the first draft of the treaty in September 1984) walked out in protest at the absence from the agenda of the issues of renewed US aid to the anti-Sandinista Contras, and the US embargo on Nicaragua.¹¹⁵

The agenda for the July meeting remained substantially the same, but in a communiqué issued at the end of the meeting,¹¹⁶ the ministers said they had 'managed to unblock the negotiating process of the Peace and Cooperation Pact in its final chapter which is security in the region'. They agreed on a new plan of action to 'strengthen diplomatic moves' in the face of a worsening of the Central American crisis, and determined to present to the five Central American governments a study of security aspects not covered by the original twenty-one-point peace agreement.¹¹⁷ They suggested, however, that this initiative be matched by negotiations in Panama, to begin by 10 August 1985, on the border tensions between Nicaragua and Costa Rica, and by the resumption of the bilateral 'Manzanillo' talks between the US and Nicaragua, which had been broken off by the US in January 1985.¹¹⁸ During an ensuing press conference, the ministers said that countries wishing to develop

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mechanisms of support for the Contadora Group could do so, but that there was no need for an increase in the Contadora Group itself.¹¹⁹

Sandinista officials were reported to be encouraged by the wording of the communiqué, which they felt vindicated their claim that their pro-US neighbours had been stalling the peace negotiations by refusing to discuss what they considered to be Nicaragua's legitimate security concerns.¹²⁰

▲ Contadora Group—Contadora Support Group
Meeting of Foreign Ministers
Cartagena, Colombia, 23–25 August 1985

■ The foreign ministers of the four Contadora Group countries met for the first time with foreign ministers from Argentina, Brazil, Peru and Uruguay—the support group was formally formed at the end of July 1985 in response to the Peruvian President's call for a Latin American front to support the Contadora peace effort. They met to explore ways of reviving the Central American peace initiative.

In his inaugural address on 28 July 1985, President Alan García of Peru had criticised US interference in Central America, urging the new Latin American democracies to demonstrate the feasibility of the Contadora process as a means of resolving the region's crisis.¹²¹ While the Contadora Group had reportedly resisted earlier efforts by the other Latin countries to seek a more active role in their initiative, for fear of complicating the negotiating process, their acceptance of the support group was regarded as indicative of the worsening situation in the region. Nicaragua's relations with its neighbours, including the previously neutral Costa Rica, were seen to be deteriorating, and the new involvement of the support group in the peace process signalled growing Latin American opposition to President Reagan's policy *vis-à-vis* Nicaragua.¹²²

In a communiqué issued at the end of the meeting, the eight foreign ministers noted that worsening violence in Central America was threatening to make it the scene of an all-out East–West conflict, and they obliquely warned the US against an invasion of Nicaragua, also urging it to support a negotiated settlement in El Salvador. Convinced that 'Central America's problems cannot be solved by force', they placed a new emphasis on finding solutions to the region's economic problems, proposing a simultaneous drive towards peace and economic reactivation. The ministers stated that the support group would back the Contadora peace efforts by seeking private contact 'with the governments of countries with ties and interests in the region', but how the US and Cuba—to which allusion was most obviously being made—were to be approached was left unspecified. The four Contadora countries, in their turn, determined to seek the immediate agreement of the Central American states to the provisions of the proposed peace treaty, which include the prohibition of arms imports; the expulsion of all foreign military advisers; the establishment of demilitarised zones along border areas; and the possible stationing in the region of a Canadian treaty-verification force.¹²³ All eight signatories to the communiqué agreed to use forums such as the UN and the Organisation of American States (OAS) to encourage the US to make a contribution towards peace in the region.¹²⁴

● 'We are in the drawing-room of a definitive agreement toward a peace treaty.'

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Augusto Ramirez, Foreign Minister of Colombia, on arrival at Cartagena's airport. *The Guardian* (London) 24 August 1985.

'It would be illusory to suppose the problems of the region could be solved by the removal of one government.' Bernardo Sepulveda, Foreign Minister of Mexico, when asked at a press conference in Mexico City, immediately before the meeting, for his reaction to a recent article in *The New York Times*. The article reported Reagan administration officials involved in Central American policy as saying that the US could not resolve their differences with Nicaragua while the Sandinistas remained in power. The article appeared in *The New York Times* 18 August 1985, and also in the *IHT* (Paris) 19 August 1985. *The Guardian* (London) 24 August 1985 and *IHT* (Paris) 23 August 1985.

▲ Costa Rica-El Salvador-Guatemala-Honduras

Meeting of Foreign Ministers

San José, Costa Rica, 3-4 September 1985

■ Foreign ministers of Costa Rica, El Salvador and Honduras with the deputy foreign minister of Guatemala attending as an observer, met for talks in preparation for forthcoming meetings with the Contadora Group in September and with the EEC in Luxembourg.

The three foreign ministers signed a joint declaration¹²⁵ in which they argued that the agreements reached by the five Central American countries in their last two plenipotentiary meetings should be added to the text of the draft Contadora peace pact. They also argued for talks aimed at national reconciliation to be effected in certain divided countries through a process of dialogue between governments and their political and armed opposition. The talks would also attempt to reduce military forces and weaponry in the region and to introduce international verification and control.

Nicaragua had apparently not been invited to attend the two-day meeting and most of the issues raised by the three foreign ministers were understood to be directed at that country. The ministers expressed their concern at what they described as the lack of political dialogue between the Nicaraguan government and its various opposition groups and argued that what they termed Nicaraguas's arms build-up had altered the terms of national security in the region.¹²⁶

▲ Contadora Group

Central American Foreign Ministers' Meeting

Panama City, 12-13 September 1985

■ The foreign ministers of the Contadora Group presented to the foreign ministers of the five Central American countries their latest revision of the draft peace plan for the region. One of the most significant changes appeared to be the softening of a provision demanding the immediate removal of foreign troops and advisers from the region, to call for their 'gradual' withdrawal. While Nicaragua had accepted the

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earlier wording. Costa Rica, El Salvador and Honduras had rejected the initial plan, reportedly on the urging of the Reagan administration, because it would have entailed the removal of US military personnel. A further alteration reportedly resulted in the call for a 'reasonable balance of forces and the establishment of maximum limits on military development' in the region. This provision was in contrast to the earlier freeze on new arms purchases, suggested by the Contadora Group.

The new draft proposal, which appeared to have taken account of some of the objections of the pro-US Central American countries, was presented only days after the leaking of a US report in which the US reaffirmed its commitment to the Contadora peace process, but qualified its support by stating that 'collapse would be better than a bad agreement'.¹²⁷ The Nicaraguan reaction to the new draft proposal was unfavourable, the Nicaraguan Foreign Minister, Miguel d'Escoto Brockmann stating that the alterations in it were 'substantial changes, not refinements'.¹²⁸

A meeting of plenipotentiaries was fixed for 7 October 1985 in Panama City, to allow the Central American governments time to consider the proposals. The Contadora Group stated that the meeting was to last a maximum of forty-five days. If by the end of November 1985 no agreement had been reached on the implementation of the peace plan, the Group said that it would abandon its peace initiative.¹²⁹

▲ Andean Pact

Council of Foreign Ministers: Fourth session
Cartagena, Colombia, 14-15 September 1985

■ Foreign ministers and ministers for trade and development of the five pact member-countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) met in closed session to discuss regional trade and cooperation. They repeatedly agreed an adjustment plan to review for the first time the Andean Economic Cooperation Agreement or Andean Pact which had created the group in 1969. According to the session's chairman, the Colombian Foreign Minister Augusto Ramirez Ocampo, the proposed revisions would cover the operations of institutions, the dealings for tariff exemptions, the industrial development programme and the provisions concerning foreign investment in the region. The ministers decided to draw up a protocol on the revision of the agreement within sixty days of the meeting. It was hoped that the changes would revive the intra-regional trade.

The Council discussed the economic situation in Bolivia, one of the poorest countries within the pact. They also reviewed the most recent border clashes between Honduras and Nicaragua, urging the two countries to settle their dispute peacefully.¹³⁰

● 'This session is very useful and timely, since it shows that the governments of the five countries support the process of integration politically.' Colombia's Foreign Minister, Augusto Ramirez Ocampo. *Xinhua News Agency*, 17 September 1985.

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▲ Association of South East Asian Nations (ASEAN)

Eighteenth Annual Foreign Minister's Conference

Kuala Lumpur, 8-9 July 1985

■ Foreign ministers of ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) pressed ahead with a modified proposal on Kampuchea, despite an initially hostile reaction from Vietnam.¹³¹

The ministers endorsed a new suggestion from the Thai Foreign Minister, Sitthi Sawetsila, for 'proximity' talks (indirect talks through an intermediary) between the UN-recognised Coalition Government of Democratic Kampuchea (CGDK), and representatives of the Heng Samrin régime in Phnom Penh, 'as part of the Vietnamese delegation'. This formulation was a modification of an earlier Malaysian proposal for proximity talks between the CGDK and the Heng Samrin régime, which made no mention of the Vietnamese as participants in the negotiations.¹³²

The new proposal was subsequently conveyed to Vietnam in a joint ASEAN statement on 8 July 1985. According to the final communiqué issued by the ASEAN ministers,¹³³ the objective of the talks would be a political settlement as had been proposed by ASEAN in September 1983, entailing a withdrawal of the estimated 160,000-180,000 Vietnamese troops in Kampuchea; an international control commission to supervise a cease-fire after troop withdrawal; national reconciliation of all warring parties; and UN-supervised elections. Also regarding Kampuchea, the communiqué condemned Vietnam for its illegal occupation and its recent dry season offensive along the Thai-Kampuchean border. It accused Vietnam of forcing civilians in Kampuchea to work in war zones 'which had caused numerous casualties',¹³⁴ and warned of the dangers of 'continuing demographic changes' as a result of Vietnamese settlements and the creation of refugees fleeing from Thailand. The communiqué endorsed a separate Indonesian initiative which linked settlement in Kampuchea with normalisation of US-Vietnamese relations (including the solution to the problem of Americans missing in action, 'MIAs') and reaffirmed ASEAN's support for the CGDK under the presidency of Prince Norodom Sihanouk, urging the international community to aid the CGDK resistance to the Heng Samrin régime.

The Vietnamese reaction to ASEAN's joint statement was detailed in a report in *Nhan Dan*, the official Vietnamese Communist Party newspaper, on 15 July 1985.¹³⁵ The proposal was criticised for its inclusion of the 'genocidal Pol Pot clique' within the CGDK. While the Vietnamese government had begun to express a willingness to negotiate with Norodom Sihanouk of the Sihanoukist National Army (SNA) and Son Sann of the Khmer People's National Liberation Front (KPNLF), it remained adamantly opposed to talks with the existing leadership of the third and strongest faction in the resistance coalition, the Khmer Rouge.¹³⁶ Not only was Hanoi unwilling to negotiate with Pol Pot, but the *Nhan Dan* commentary cited the objection that the Thai amendment to the ASEAN proposal failed to recognise the legitimacy of the Heng Samrin administration, which came to power following the Vietnamese invasion of Kampuchea in 1978. To include the régime's representatives within the Vietnamese delegation was, according to the commentary, a denial of its sovereignty. Vietnam was also anxious to see an end to the sanctuary provided by Thailand for the resistance forces, and the aid supplied to them by China.

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The thirty-five page communiqué issued by the ministerial conference covered a number of issues other than Kampuchea, including ASEAN's support for a new round of MTNs; the need to increase intra-ASEAN trade; fears of growing world protectionism, in particular, between Japan and the US; and the problem of the drug trade.¹³⁷

● We demand the liquidation of Pol Pot. That can be accomplished by the withdrawal of aid from China and an end to the sanctuary provided by Thailand. In return, we agree to pull our forces out of Kampuchea simultaneously. We do not ask that Pol Pot be killed. He can be exiled in Beijing or Spandau jail . . . Vietnam would, however, agree to an accommodation between Heng Samrin and Prince Norodom Sihanouk.' Nguyen Co Thatch, Vietnamese Foreign Minister, quoted in an interview with *Time Magazine*, *IHT* (Paris) 9 July 1985 and *The Times* (London) 9 July 1985.

The Thai proposal was 'completely out of the question'. Nguyen Co Thatch, quoted by a member of the Japanese foreign ministry, on returning from Hanoi. *BBC Summary of World Broadcasts* FE/7997/A3/5, 8 July 1985.

'We must never say die.' Tengku Ahmad Rithauddeen, Malaysian Foreign Minister (whose original proposal was adapted by the Thai amendment), refusing to accept the Vietnamese comments as a formal rejection. *IHT* (Paris) 12 July 1985.

▲ Kampuchea-Laos-Vietnam

Eleventh Conference of Foreign Ministers

Phnom Penh, 15-16 August 1985

■ The foreign ministers of Kampuchea, Laos and Vietnam issued a communiqué after their conference in which they stated that the gradual withdrawal of Vietnamese volunteer forces from Kampuchea would be concluded by 1990, five years earlier than previously planned.¹³⁸ They qualified the intention, however, by saying that 'appropriate measures' would be taken on consultation between the Vietnamese and Kampuchean governments 'in case the withdrawals are taken advantage of to undermine the peace and security of Kampuchea'.

The ministers did not reject outright Malaysia's proposal for proximity talks, declaring it to be 'an initiative that deserves examination', but they held the question of the participants in such talks to be a matter for discussion between ASEAN and the countries of Indochina. Kampuchea was said to be ready for talks with the Kampuchean resistance 'on the basis of the elimination of the genocidal Pol Pot clique', and the holding of general elections following Vietnamese withdrawal. It was not specified, however, whether negotiations with the Khmer Rouge itself would be possible if its present leaders were removed.

The ministers declared a readiness to negotiate a non-aggression treaty with Thailand, and pleas were made for a normalisation of Indochinese relations with China. An international conference to guarantee and supervise a peace agreement in South East Asia was also advocated. Finally, a forthcoming meeting in Jakarta between representatives of ASEAN and the Indochinese countries was welcomed.¹³⁹

Nguyen Co Thatch, the Vietnamese Foreign Minister, confirmed in a statement

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that the withdrawal of Vietnamese troops was not conditional upon the elimination of Pol Pot, which was a prerequisite only of a political settlement. However, withdrawal could proceed earlier in the event of a political settlement with the CGDK.¹⁴⁰

● 'If there is Pol Pot or not, it will not change our decision to withdraw by 1990. If there is a political settlement we can withdraw earlier.' Nguyen Co Thach, Vietnamese Foreign Minister, elaborating on the statement of the Indochinese foreign ministers. *IHT* (Paris) 23 August 1985.

▲ OAU Interim Policy Committee for the Special Emergency Fund for Drought and Famine in Africa.

First Session

Addis Ababa, 14-18 May 1985

■ All countries of the twelve-member Committee other than Botswana were represented at the meeting to discuss ways of alleviating drought and famine in Africa.¹⁴¹

Established by a resolution of the twentieth OAU summit in 1984, the Committee was to set up a financial committee to administer emergency aid on the continent. The Committee adopted the statutes of the fund after minor amendments and the procedural rules concerning its special fund to be administered by the African Development Bank (ABD). Also adopted were the criteria and conditions for the approval of grants and loans. The basic criterion of eligibility was to be that the country in question must be affected by drought or famine. The fund would also provide financial and material assistance for national activities and programmes designed to prevent and alleviate the effects of drought and famine. The Committee had studied the initial efforts of African countries which had pledged to make financial contributions (Algeria, Libya and Nigeria had already pledged \$25m and others had offered various amounts) and other possible sources of revenue in Africa and elsewhere. Such resources would be channelled into areas in need of emergency aid.¹⁴²

▲ OAU Liberation Committee

Forty-fourth session

Arusha, 4-6 July 1985

■ The committee condemned the South African regime and the United States for delaying the independence of Namibia. It also deplored Pretoria's aggression against its neighbouring states and the conscription of Namibians into the occupying forces. Stressing that armed struggle was the most effective means of achieving independence in Namibia, the committee urged OAU member states to implement the Arusha plan of action on Namibia through financial contributions to the OAU special Liberation Fund. President Julius Nyerere of Tanzania, the OAU chairman, said that only ten

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OAU members had paid their contributions in full by the time of the meeting and that annual contributions to the fund were minor in comparison with the task facing Africa. The Committee praised the assistance given by the Nordic and socialist countries in supporting SWAPO.

The Committee expressed concern over South Africa's intention to send a delegation to the UN Decade for Women Conference in Nairobi in July 1985 and at attempts to exclude the issue of the condition of women and children under apartheid from the conference agenda. It urged the international community to prevent South Africa's participation at Nairobi and to ensure discussion of the situation in Southern Africa.¹⁴³

●States bordering on South Africa were 'being pressed beyond their strength and needed financial support to defend their independence'. Julius Nyerere, Tanzanian President and OAU chairman, to the meeting. *BBC Summary of World Broadcasts*, MF/7966/ii, 6 July 1985.

▲Organisation of African Unity (OAU)

Ministerial Council Meeting and Twenty-first Summit Meeting.
Addis Ababa, 10-16 and 18-20 July 1985

■The annual OAU Summit, the first to be devoted exclusively to Africa's pressing economic problems, was marked by the absence of customary political wrangling. A boycott by Morocco and Zaire in continuing protest at the seating of a delegation from the Sahrawi Arab Democratic Republic (SADR) failed to distract attention from the main purpose of the Summit.¹⁴⁴ A draft declaration on the economic situation in Africa was rapidly adopted with only minor alterations, together with a five-year economic programme of action prepared by a seven-nation ministerial steering committee, and approved beforehand by the Council of Ministers.

The 'Addis Ababa Declaration' acknowledged the primary responsibility of Africa for its own economic development. It maintained the OAU's commitment to the objective of African self-reliance, formulated in the 1980 Lagos Plan of Action,¹⁴⁵ but, faced with the immediate crisis in African economies, it determined priorities for the next five years. The bitter experience of famine dictated the return of the focus of African development to farming. The OAU acknowledged the deterioration amongst half its members in the last ten years from self-sufficiency in food to reliance on food aid. Since 1980 food output had grown by only 1.7 per cent, while the average growth in population had been 2.8 per cent, leaving 150 million of the 500 million population to face food shortages. This inadequacy in food production was said to be compounded by drought and natural calamities, and by the problems of refugees and displaced persons. The remedies urged were concentration on food crop production to bring about collective self-sufficiency, through a doubling of investment in agriculture to 20-25 per cent by the end of the decade; the direction of resources such as cheap tools and fertilisers to small-scale farmers, together with the provision of incentives through 'remunerative prices'; a curtailing of the inefficiencies of state-owned enterprises, or their being transferred to the private sector; the establishment of an early-warning system for food shortages, with

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mechanisms for channelling assistance at an early stage to those affected; and regional cooperation for better use of water resources. The Summit also approved the creation of the OAU's Special Emergency Assistance Fund.

An issue of parallel importance to the revitalisation of agriculture was that of Africa's external debt, set to exceed \$170bn by the end of 1985, with the total debt service in excess of \$20bn for the year. The declaration acknowledged the contribution to the debt crisis of shortcomings in African development policies, but identified the chief cause as an external one beyond Africa's control. It called for an international conference on African debt, and for a Special Session of the UN General Assembly on Africa's economic situation. A plea was made for long-term dialogue with creditors and their financial institutions to bring about economic recovery, and for increased support from developed countries, both through direct aid and more generous rescheduling terms. The tone of the declaration was, however, conciliatory, and it stated that 'we recognise that the external debts are obligations that our members have contracted, and which they have to honour'. A more radical call for the repudiation of debts, or a moratorium, had gained the support of only four states at the preparatory meeting of the Ministerial Council.¹⁴⁶

The five-year programme of action is not binding on states, but an apparent determination to implement its provisions is reflected in the decision to establish a permanent, high-level Steering Committee to monitor progress, study issues concerning African economic development and coordinate African positions in international negotiations.¹⁴⁷

The Summit also addressed itself to the problem of South Africa's destabilisation of the Frontline states, urging African support for their beleaguered economies, as well as for South African liberation movements. The Summit leaders expressed concern over the repeal by the US Congress of the Clark Amendment, which had prohibited US government aid to the rebels in Angola.¹⁴⁸ They repeated appeals to the industrialised countries for the application of economic sanctions against South Africa.¹⁴⁹

The Summit elected the Senegalese President, Abdou Diouf to replace Julius Nyerere as the OAU's Chairman for the coming year, and Niger's Foreign Minister, Ide Oumarou, as its new Secretary-General. The latter appointment broke a deadlock at the previous years' OAU Summits, which had compelled Peter Onu (Nigeria) to remain as Interim Secretary-General.¹⁵⁰

● 'If we fail to agree to implement what we have freely designed for ourselves we would have condemned this continent to a further indeterminate period of economic servitude and bondage.' Peter Onu, retiring OAU Secretary-General. *Financial Times* (London) 20 July 1985.

▲ Economic Community of West African States (ECOWAS)

Seventeenth Ministerial Council Meeting and Eighth Summit Meeting
Lomé, 3 and 5-6 July 1985

■ Heads of government from twelve of the sixteen member-countries of ECOWAS attended the annual summit meeting in Lomé, while Cape Verde, Ghana, Guinea-Bissau and Mauritania were represented at ministerial level.¹⁵¹ The

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summit, originally scheduled for 28 May 1985 to coincide with the tenth anniversary of the signing of the ECOWAS Treaty, had been postponed at the request of The Gambia and Nigeria, on the grounds that it conflicted with Ramadan. There was speculation, however, that Nigeria was anxious to avoid a meeting with other heads of government from the community so soon after its expulsion of 700,000 'illegal' West African aliens, the second such expulsion within three years.¹⁵²

The opening session of the summit was delayed for a few hours after news arrived of an abortive coup in Conakry, Guinea, whose President, Colonel Lansana Conté, is the current Chairman of ECOWAS.¹⁵³ In his opening speech, President Conté cited the difficult economic environment in the whole sub-region, which was being worsened by drought and desertification, and the need for ECOWAS to concentrate some of its energies on achieving food self-sufficiency. He made no reference to the attempted coup in his country, but left Lomé to return to Guinea soon after the opening session.

The main issue at the Summit was that of free movement within the community. A protocol was approved which provided for cooperation among member-states, to ensure mutual assistance in matters relating to the free movement of persons, goods, services and capital. The free movement of persons at border-posts within the sub-region was also to be facilitated by the issuing by ECOWAS of new travel certificates. The decision was made, however, to postpone the adoption of a draft supplementary protocol implementing the second phase of the 1979 Protocol on the Free Movement of Persons, Right of Residence and of Establishment. This second phase, which was to have taken effect from 1 July 1985, entailed the granting of residential rights to people anywhere in the community over the ensuing five years. It also entailed lifting the restrictions 'justifiable by reasons of public order, public security and public health' on the right of residents anywhere in the community to take up employment. Originally, Nigeria, with the support of Liberia, had requested a two-year postponement of the supplementary protocol, while it arranged its economic affairs. Despite assiduous Nigerian diplomacy behind the scenes, Ghana, Benin and Burkina Faso (whose nationals had notably suffered during the expulsions) argued strongly for the immediate implementation of the second phase, advocating that the majority view and the 'community spirit' should prevail.¹⁵⁴ Presidents Félix Houphouët-Boigny of Ivory Coast, Siaka Stevens of Sierra Leone and Gnassingbe Eyadema of Togo intervened to defuse the potentially destructive tensions between Nigeria and the other ECOWAS countries, and a compromise was eventually reached. By consensus, the summit agreed to postpone the implementation of the second phase for twelve months, to begin on 5 June 1986, with a deadline of four years, President Eyadema then nominated President Buhari of Nigeria as the ECOWAS Chairman for 1985-6. In what was seen as a deliberate effort on the part of President Houphouët-Boigny and the other Francophone states to render Nigeria more 'community-minded' and consequently less likely to engineer more expulsions, the appointment was unanimously approved.

The summit participants went on to discuss economic issues, expressing concern over the prevailing economic situation in the sub-region, with its attendant problems of debt, drought and desertification. It was decided that ECOWAS should attach great importance to solving economic problems, given that it contained seven of the eight member-countries of the Permanent Interstate Committee for Drought

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Control in the Sahel (ICDCS). A need was recognised to endeavour to strengthen cooperation between intergovernmental organisations tackling these problems.

A final communiqué indicated that the summit had also approved protocols on the temporary importation of passenger vehicles to member-states, and on traffic regulations. It had confirmed the Ministerial Council's appointment of the new Executive Secretary, Momodu Manu of Sierra Leone, of a new Director-General of the ECOWAS Fund, Mahanta Fall of Senegal and of an external auditor, Ahmed Haiba of Mauritania. It examined the report of the *ad hoc* Ministerial Commission on Assessment and Reflection, and mandated the new Executive Secretary and Director-General of the Fund to implement the recommendations of the report from the Ministerial Council session.

Addressing the closing session of the summit, the new Chairman, Major-General Muhammadu Buhari, revealed that since ECOWAS was founded, no more than 50 per cent of the annual budget had been subscribed in any given year. He urged member-states to make regular contributions. He also pointed out ECOWAS's successes in areas such as telecommunications, transport, trade liberalisation, and the free movement of goods and persons, 'despite its attendant difficulties'. Regretting slow progress in agriculture, industrial cooperation and trade, however, he urged improved performance in these areas, and the commitment of greater resources.

The next year's ECOWAS summit was scheduled for 5-7 May 1986, in Lagos, Nigeria.¹⁵⁵

● 'The most noteworthy development on our road to integration is no doubt the implementation of the protocol on free movement of peoples, the right of residence and of establishment. Free movement of peoples has been institutionalised and the next step, the right of residence, will be the real test of our resolve to move ECOWAS from vision to reality. The real question is: are we prepared to surrender a tiny bit of our sovereignty for the good of our community?' Kwesi Botchwey, Ghana's Secretary for Finance and Economic Planning. *West Africa* (London) 15 July 1985, p 1411.

'It was the bone of contention which everyone thought would split the conference'. President Siaka Stevens of Sierra Leone, referring to the supplementary protocol. *West Africa* (London) 15 July 1985, p 1411.

'If we say the pace of our progress is slow, it is because we believe that we are a group of nations that have to be in a hurry because we are starting rather late. If we intend to pull away our people from underdevelopment, we must try to accomplish in a decade what other areas of the world have taken two decades or more to achieve.' President Buhari of Nigeria. *West Africa* (London) 15 July 1985, p 1411.

▲ Council of the Entente of Western Africa

Meeting of Heads of State

Yamoussoukro, Ivory Coast, 10 September 1985

■ The Presidents of Benin, Burkina Faso, Ivory Coast, Niger and Togo discussed at an informal meeting the political and economic problems of the sub-region. They

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were reported to have condemned acts of terrorism and sabotage in Togo and Niger in 1985, reaffirming the need for peace and stability as essential conditions for development and agreeing to cooperate to combat terrorism.

The Council members also determined economic priorities for the development of hydroelectric energy in urban and rural areas and the promotion of self-reliance in agriculture. They agreed to seek financial aid beyond the sub-region in order to further these aims.¹⁵⁶

▲ Southern African Development Coordination Conference (SADCC)

Fifth Annual Summit, Meeting
Arusha, 9 August 1985

■ The summit paid tribute to its host, Tanzania's President Julius Nyerere, who was to retire at the end of 1985. Seven of the nine member-countries¹⁵⁷ were represented by heads of state or government, with ministerial delegations from Malawi and Swaziland together with Sam Nujoma of the South West African People's Organisation (SWAPO) and Oliver Tambo of the African National Congress (ANC) in attendance.

According to a communiqué issued after the meeting the participants endorsed a progress report covering SADCC's programme of action for the period July 1984–July 1985 and expressed satisfaction with SADCC's achievements towards economic development in all sectors of its programme. They noted that of almost \$4bn required to meet the foreign costs of the programme, \$2.3bn had been either secured or was under active negotiation.

The meeting was chaired by Dr Quett Masire, President of Botswana, whose country had suffered a recent raid on its capital, Gaborone, in which South African soldiers had killed twelve people. The summit condemned the intensification of South African military attacks against its neighbours and its attempts at destabilisation in the region, as well as deploring South Africa's violence against its own people and its continued occupation of Namibia in defiance of international law and opinion. New initiatives were called for to put an end to the current situation in South Africa.

The next SADCC summit was planned for July 1986 in Angola.¹⁵⁸

● 'We need peace, political and military stability as essential factors for the development of the southern African countries . . . we are firmly opposed to the situation of war and destabilising actions carried out by South Africa, who tries to aggravate the difficult living conditions of the peoples in the sub-region of our continent, using all means in its power and particularly the armed bandits to strangle the harmonious development of the region in order to achieve its expansionist policy'. José Eduardo dos Santos, Angola's Head of State, addressing the summit. *BBC Summary of World Broadcasts*, ME/8028/B/8, 13 August 1985.

▲ Tanzania–Zambia

Summit Meeting

Lusaka, 9 July 1985

■ Speaking at the opening of one-day talks with President Kaunda of Zambia.

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President Julius Nyerere of Tanzania, who was also the OAU Chairman, addressed the problems of African external debt and of Southern Africa.

President Nyerere called on African countries to fight what he termed the new form of economic slavery, through which developed countries give loans to developing countries on terms which only enable them to pay back their debts. He appealed to OAU members to hold discussions with their creditors, and to seek assistance to develop their economies as a means of enabling them to repay their debts. He also assured Zambia that the new President of Tanzania (to be elected later in 1985) would cooperate with the other leaders of the Frontline states, in their efforts to liberate Southern Africa.

President Kaunda said that Zambia would continue to strengthen economic, political and social relations with Tanzania, in order to overcome their mutual economic problems. He said that joint projects such as the Tazara (Tanzania-Zambia railway) and the Tanzania-Zambia pipeline had helped to resolve economic and transport problems in the two countries.¹⁵⁹

▲ Southern African Frontline States

Summit Meeting

Maputo, Mozambique, 15 September 1985

■ The Heads of government of the six Frontline states, Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe,¹⁶⁰ together with representatives of the African National Congress (ANC) and the South West Africa People's Organisation (SWAPO) met to review the situation in Southern Africa.

In a communiqué released after the meeting¹⁶¹ the summit condemned the state of emergency imposed inside South Africa. It called for the immediate lifting of the ban on the ANC and other political organisations and for the release of Nelson Mandela among other political prisoners. These moves, it was said, could bring about conditions for the beginning of talks aimed at eliminating apartheid. The putative South African constitutional reforms and the policy of constructive engagement were said to have failed, and the growing pressure from Western countries including the application of economic sanctions was welcomed. An appeal was made to all countries to increase and intensify such pressure.

The summit reaffirmed UN Security Council Resolution 435 as the only basis for a negotiated settlement in Namibia, condemning the illegal South African-installed regime and appealing to the international community to do the same. The 'linkage' approach, making the withdrawal of Cuban forces from Angola a condition of Namibia's independence, was rejected. The collaboration between the armed forces of Mozambique and Zimbabwe which had resulted in military gains against the Mozambique Resistance Movement was hailed as an important example of Frontline solidarity.

Having paid homage to the outgoing Chairman and President of Tanzania, Julius Nyerere, the summit leaders chose President Kenneth Kaunda of Zambia as the New Chairman of the Frontline states.¹⁶²

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▲ Mozambique-South Africa Meeting

Maputo, Mozambique, 14-16 September 1985 and 19 September 1985

■ The South African Foreign Minister, R F ('Pik') Botha, was invited to Maputo for talks with President Samora Machel of Mozambique, on the Nkomati Accord of April 1984.¹⁶³ By the terms of the agreement, South Africa agreed to cease its support for the Mozambique National Resistance (MNR) provided that Mozambique expelled all ANC personnel from the country.

At the meeting President Machel confronted Pik Botha with evidence of South African breaches of the accord. This evidence took the form of documents and a diary by a senior MNR official, A J Vaz, listing material assistance and personal contacts from senior members of the South African government. The documents had been found in an MNR base, following successful attacks by Mozambique government forces, in combination with Zimbabwean armed forces. The diary showed that weapons and ammunition had been supplied regularly to the MNR, and a communications network established, facilitating regular deliveries of food and medicine.

Following hasty investigations by a public commission of inquiry, appointed by the South African President P W Botha, Pik Botha later admitted that South Africa had committed what he termed 'technical' violations of the Nkomati Accord. He did not describe, however, any other possible forms of violation. The purpose of the technical breaches was, he said, to promote peace between the MNR and the Mozambican government. Pik Botha apparently reported the findings of the inquiry to ministerial representatives of the Mozambican government at a follow-up meeting at Komatipoort on 19 September 1985. At the meeting, Pik Botha alleged that ANC members were in Mozambique, some of whom had been arrested in South Africa on leaving Mozambique. He was reported to have assured Mozambique that, in spite of this, South Africa remained committed to the Nkomati Accord.¹⁶⁴

▲ Lusophone African Countries

Ministerial Meeting

São Tomé, 17-19 August 1985

■ Foreign ministers of the five Portuguese-speaking African countries (Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe) called on the international community to condemn apartheid and strengthen support for the South African people. In a final communiqué, they accused the South African regime of increasing its suppression of the black majority in the country, of procrastination in relation to Namibian independence and of destabilising its neighbours, thus violating the sovereignty of these countries. The ministers also demanded the unconditional release of Nelson Mandela.¹⁶⁵

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NOTES

- ¹ The conclusions of the Special Committee on Preferences are detailed in UN document TD/B/C.5/99, 22 April 1985. The main document prepared by the UNCTAD Secretariat and considered at the meeting was *Review of the Implementation, Maintenance, Improvement and Utilisation of the Generalised System of Preferences*, TD/B/C.5/96, 20 February 1985.
- ² International Foundation for Development Alternatives, *Special UN Service*, 21 April 1985, UNCTAD Press Releases TAD/INF/1673, 12 April 1985, TAD/INF/1674, 15 April 1985 and TAD/INF/1676, 22 April 1985.
- ³ See *Xinhua News Agency* (London) 30 April 1985 and *The Times* (London) 1 May 1985.
- ⁴ See *The Guardian* (London) 15, 17 April 1985; *The Times* (London) 18 April and 1 May 1985; *Financial Times* (London) 18 April 1985; *Xinhua News Agency*, 30 April 1985.
- ⁵ *International Herald Tribune (IHT)* 10 May 1985 and *Sunday Times* (London) 12 May 1985.
- ⁶ \$8m had already been pledged by the end of the Board session by over thirty countries, including the Soviet Union, China, Nigeria, Venezuela, Mexico and France. *Interpress Service* (Vienna) 22 June 1985.
- ⁷ *IHT* 15, 23 May and 18, 24 June 1985; *Financial Times* (London) 15 May and 22 June 1985; *The Times* (London) 5 June 1985; *The Economist* (London) 4 May and 29 June 1985; *Times Higher Educational Supplement* (London) 28 June 1985; *Xinhua News Agency* (London) 25, 29 May, 1, 3, 24 June 1985; UN Press Releases: UNESCO 2479 of 10 May 1985, 2480 of 14 May 1985, 2481 of 20 May 1985 and 2485 of 5 June 1985.
- ⁸ The study is UN Document E/C.10/1985/S/2.
- ⁹ UN Document E/C.10/1985/S/3, 3 July 1985; International Foundation for Development Alternatives *Special UN Service* (Geneva) 18 June 1985.
- ¹⁰ The first session was from 16 July–4 August 1984 and the second from 28 January–16 February 1985. See *Third World Quarterly* 7(1) January 1985 pp 147–8 and 7(3), July 1985, pp 689–90.
- ¹¹ The composite text of the agreement accepted by the Plenary Conference is the UN document TD/RS/CONF/L. 13.
- ¹² *The Guardian* (London) 20 July 1985, *Financial Times* (London) 22 July 1985, *Le Monde* (Paris) 22 and 24 July 1985 and UN Press Release TAD/INF/1707, 9 July 1985 and TAD/INF/1708, 22 July 1985.
- ¹³ See *West Africa* (London) 22 July 1985 pp 1496–7 and 29 July 1985, pp 1542–3.
- ¹⁴ UN Press Release WOM/342, 29 July 1985; *IHT* 10, 11, 15, 16, 17, 18, 19, 22, 26, 27–8, 29, 30 July and 5 August 1985; *The Times* (London) 11, 16, 25, 27 July and 1 August 1985; *The Guardian* (London) 11, 13, 15 July 1985; *The Observer* (London) 14, 21 July 1985; *The Economist* (London) 13 July 1985; *Sunday Times* (London) 28 July 1985; *West Africa* (London) 22 July 1985, pp 1495–1500 and 5 August 1985, p 1596; *South* (London) October 1985, pp 44–5; *South Syndication Service* (London) az/0108/85; *Afrique-Asie* (Paris) 26 August 1985.
- ¹⁵ See *Xinhua News Agency* (London) 14 August 1985.
- ¹⁶ The states which had already ratified UNCLOS were Bahamas, Bahrain, Belize, Cuba, Egypt, Fiji, The Gambia, Iceland, Iraq, Ivory Coast, Jamaica, Mali, Mexico, Namibia (UN Council for Namibia), Philippines, Senegal, Saint Lucia, Sudan, Togo, Tunisia and Zambia.
- ¹⁷ For the work of the Special Commissions in the previous session, see *Third World Quarterly* 7(4) October 1985, pp 1018–20.
- ¹⁸ UN Press Release SEA/669, 9 September 1985; *Xinhua News Agency* (London) 14 August and 6 September 1985.
- ¹⁹ See *Third World Quarterly* 7(4) October 1985, pp 693–4.
- ²⁰ *Financial Times* (London) 19, 20, 23 July 1985; *The Times* (London) 22 July 1985. For background to the meeting and to the International Cocoa Agreements, see *Prisma* (Havana) June 1985; and *South* (London) October 1985, pp 172–3.
- ²¹ The ICO export quota was reduced from 59.2m to 58.2m bags on 29 July 1985, after average prices fell to below 120¢ per pound, the lowest in two years. *ICO Press Release* PR-101/85, 30 July 1985.

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- ²² See *Third World Quarterly* 7(4) October 1985, pp 1022-4. The ICO estimated that 3m tonnes of coffee had 'disappeared' en route from the exporting countries to the non-ICO member countries to which they were said to be destined. For statistics on export to members and non-members of the ICO between October 1984 and September 1985, see *ICO Press Release* PR-102/85, 3 September 1985.
- ²³ *Financial Times* (London) 5, 6, 13, 19, 20, 24, 30, 31 July, and 3 August 1985; *The Guardian* (London) 8, 31 July and 5 August 1985; *South* (London) July 1985, p 99.
- ²⁴ *The Guardian* (London), 16, 23 September 1985; *Financial Times* (London), 27 September, 1, 2 and 3 October 1985; *IHT* (Paris) 3 October 1985 and International Coffee Organisation, *Press Release*, PR-103/85, 2 October 1985.
- ²⁵ *Financial Times* (London) 5, 17, 26 July and 9, 14, 15, 16 August 1985; *The Guardian* (London) 12 August 1985.
- ²⁶ *Financial Times* (London) 20 August and 4 September 1985.
- ²⁷ *Xinhua News Agency* (London) 10 June 1985. For a report of the first round of talks see *Third World Quarterly* 7(4) October 1985, pp 1030-1.
- ²⁸ Gorbachev's remarks were made on 26 June 1985 during a visit to the industrial centre of Dnepropetrovsk in the Ukraine. *The Times* (London) 27 June 1985; *The Guardian* (London) 27 June 1985; *IHT* (Paris) 27 June 1985; and *Financial Times* (London) 27 June 1985.
- ²⁹ Gorbachev's remarks were made in reply to a message from the US Union of Concerned Scientists. *The Guardian* (London) 6 July 1985; *The Times* (London) 6 July 1985; *IHT* (Paris) 6-7 July 1985. For the complete text of the reply see *Soviet News* (London) 10 July 1985, p 245. The US has always maintained that the SDI is perfectly compatible with the ABM Treaty. For an expression of this view see Max Kampelman's article in *United States Information Service*, 15 July 1985.
- ³⁰ The original report was in the *New York Times*, 8 July 1985, reproduced in *IHT* (Paris) 10 July 1985. For subsequent reports see *The Times* (London) 10 and 26 July 1985; *The Guardian* (London) 10 and 20 July 1985; *Financial Times* (London) 10 July 1985; and *IHT* (Paris) 11 July 1985.
- ³¹ *Xinhua News Agency* (London) 26 June 1985 and *IHT* (Paris) 26 June 1985.
- ³² The conversation on 3 July 1985 between Chervov and Stephen J Solarz, in Moscow, was first reported in the *New York Times*, 10 July 1985, reprinted in *IHT* (Paris) 12 July 1985. See also *The Guardian* (London) 12 and 26 July 1985; *Financial Times* (London) 12 July 1985.
- ³³ *IHT* (Paris) 26 July 1985
- ³⁴ *IHT* (Paris) 18 July 1985 and *The Guardian* (London) 20 July 1985. For general reports on the second round, see *The Guardian* (London) 17 July 1985; *The Times* (London) 17 July 1985; *Financial Times* (London) 17 July 1985; *IHT* (Paris) 17 July 1985; and *The Economist* (London) 6 and 29 July 1985
- ³⁵ The Helsinki Final Act recognises Europe's post-World War II frontiers, and contains provisions on peaceful coexistence, security, human rights, and economic, scientific, technical and environmental cooperation. It has thirty-five signatories: all European states (excluding Albania) and the US and Canada. For reports on the tenth anniversary commemoration, and assessments of the ten-year-old 'Helsinki process', see *The Times* (London) 23, 29, 31 July and 1, 2, 3 August 1985; *The Guardian* (London) 30, 31 July and 1 August 1985; *Financial Times* (London) 26, 31 July and 1 August 1985; *IHT* (Paris) 30, 31 July and 1, 3-4 August 1985; *The Observer* (London) 4 August 1985; *Soviet Weekly* (London) 13, 27 July and 3, 10 August 1985; *Soviet News* (London) 10, 24, 31 July 1985.
- ³⁶ *IHT* (Paris) 1 August 1985 and *Financial Times* (London) 2 August 1985.
- ³⁷ The text of Gorbachev's speech announcing the moratorium is in *Soviet News* (London) 31 July 1985.
- ³⁸ George Schultz listed more than twenty specific cases, including those of Andrei D Sakharov, Yuri F Orlov and Anatoli B Shcharanski as evidence that, far from living up to its commitments under the Helsinki agreements, human-rights violations had increased in the Soviet Union. *IHT* (Paris) 31 July 1985 and *The Guardian* (London) 31 July 1985. The full text of Shevardnadze's speech to the Helsinki gathering is in *Soviet News* (London) 31 July 1985, pp 272 and 276.

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- ³⁹ *IHT* (Paris) 29 July and 1 August 1985; *The Times* (London) 30 July and 1 August 1985; *The Guardian* (London) 29 July, 1 and 2 August 1985; *Financial Times* (London) 1 and 2 August 1985; For the US view of the talks, see United States Information Service, *Background*, 2 August 1985. For the Soviet view, see *Soviet News* (London) 7 August 1985, p. 278.
- ⁴⁰ The US had refused military cooperation with New Zealand since the socialist government had announced its intention to impose a ban on US nuclear-powered or armed warships by the end of 1985. The move was seen as a threat to the 1951 ANZUS Treaty between Australia, New Zealand and the US. On the developments within ANZUS, see *IHT* (Paris) 16 and 17 July, 2 August and 2, 13, 16 September; *The Guardian* (London) 16 July and 23 August; *The Times* (London) 16 July, 28 August, 2 September; *Financial Times* (London) 17 July 1985; *The Economist* (London) 7 September 1985.
- ⁴¹ *IHT* (Paris) 9 August 1985.
- ⁴² *The Guardian* (London) 8 August 1985. President Mitterrand, far from answering appeals to cease tests in the Pacific, visited Mururoa Atoll on 13 September 1985, in what was widely seen as an attempt to demonstrate the insignificance of contamination risks from underground tests, and to reaffirm French determination to continue with its Pacific policy in the wake of the sinking of the anti-nuclear campaigning Greenpeace ship, 'Rainbow Warrior', in which the French Secret Service was implicated. *Financial Times* (London) 11 and 12 September 1985; *The Times* (London) 12 September 1985; *The Guardian* (London) 11, 12 and 16 September 1985; *IHT* (Paris) 12 September 1985.
- ⁴³ *The Guardian* (London) 6 and 8 August 1985; *IHT* (Paris) 9 August 1985 and 3, 16 September 1985; *Financial Times* (London) 6 and 8 August 1985; *The Times* (London) 8 August 1985; *The Economist* (London) 10 August 1985; *South* (London) September 1985, p. 12-13.
- ⁴⁴ The ministers were Nigel Lawson of Britain, Pierre Bérégovoy of France, Noboru Takeshita of Japan, James Baker of the US and Gerhard Stoltenberg of West Germany.
- ⁴⁵ The G5 Communiqué is in *The Times*, (London) 24 September 1985.
- ⁴⁶ On France's attitude to exchange rates see *Third World Quarterly*, 7(4) October 1985, pp. 1039-40.
- ⁴⁷ *Financial Times* (London), 23 September 1985.
- ⁴⁸ *IHT* (Paris) 23, 24 September 1985; *Financial Times* (London) 23, 24 September 1985; *The Guardian* (London) 23, 24, 26 September 1985; *The Times* (London) 24 September 1985 and *The Economist* (London) 28 September 1985.
- ⁴⁹ *The Courier* ACP-EEC (Brussels) No. 92, July-August 1985; *Europe Agence Internationale d'Information pour la Presse* (Brussels) No. 4115, 22 June 1985, p. 8.
- ⁵⁰ For details of these issues and on the Council meeting, see *The Courier* ACP-EEC (Brussels) No. 92, July-August 1985, pp. 2-5; *Europe Agence Internationale d'Information pour la Presse* (Brussels) No. 4115, 22 June 1985, pp. 7-8.
- ⁵¹ See *Third World Quarterly* 7(4) October 1985, pp. 1042-3, on the June 1985 GATT Council meeting.
- ⁵² For details of the US Deputy Trade representative's presentation of the US goals for new MTN's see *Financial Times* (London) 11 July 1985.
- ⁵³ See *Third World Quarterly* 7(4) October 1985, p. 1043.
- ⁵⁴ *Financial Times* (London) 8, 9, 10, 11 July 1985.
- ⁵⁵ *Financial Times* (London) 23 August 1985.
- ⁵⁶ For France's approach to MTN's see *Financial Times* (London) 3 September 1985. The other articles in a series on differing approaches to the prospect of a new GATT round, the first of which examines Brazil's position, are in *Financial Times* (London) 2, 12, 18, 24 July; 1, 9, 14, 23 August; and 3, 13 September 1985.
- ⁵⁷ *Financial Times* (London) 17, 18, 19, 20, 22, 26, 30 July, 23, 30 August 1985, and 2, 6, 10, 11 September 1985; *IHT* (Paris) 15, 20-21 July, 20, 30 August 1985; *The Times* (London) 20 July 1985; *The Guardian* (London) 20 July and 30 August 1985; *GATT Focus* (Geneva) August-September 1985.
- ⁵⁸ For a list of the forty-two parties (of which the EEC counts as one), see *GATT Focus* (Geneva) August-September 1985.
- ⁵⁹ The draft Bill proposed by Ed Jenkins, a Democratic Congressman who chaired the informal textile caucus in the US Congress, proposed the restriction of textile and clothing imports into the US from large exporters, to a level equivalent to only a 6 per cent growth

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- per year since 1981. In fact, imports from South East Asia rose by 32 per cent in 1984. The EEC and Japan would not be governed by the restrictions. *The Economist* (London) 20 July and 24 August 1985.
- ⁶⁰ Representatives of the twenty-one developing country exporters of textiles and clothing met in Mexico City in April 1985 to coordinate opposition to the MFA. This was followed by a meeting of twenty-four developing countries in Seoul on 3-7 September 1985, which adopted a communiqué calling for further liberalisation in the textile trade. Differences emerged between developing countries, however, with larger exporters such as South Korea and Hong Kong softening their opposition to renewal. The Group decided to meet again in China, in the Spring of 1986. *Financial Times* (London) 9 September 1985.
- ⁶¹ *Financial Times* (London) 10, 24 July, 7 August 1985; *The Times* (London) 22 July 1985; *The Economist* (London) 20 July 1985; *GATT Focus* (Geneva) August-September 1985.
- ⁶² For reports of George Shultz's speech, see *IHT* (Paris) 12 July 1985 and *The Times* (London) 13 July 1985.
- ⁶³ Shultz's visit to South East Asia coincided with ASEAN's annual conference of foreign ministers. See *IHT* (Paris) 9, 10 July 1985; *Financial Times* (London) 9 July 1985; *The Times* (London) 10 July 1985.
- ⁶⁴ *Financial Times* (London) 13 July 1985.
- ⁶⁵ *IHT* (Paris) 12, 13-14, 15 July 1985; *The Times* (London) 11, 12, 13, 16 July 1985; *Financial Times* (London) 10, 12, 13 July 1985; *The Guardian* (London) 11, 13 July 1985.
- ⁶⁶ *Xinhua News Agency* (London) 19 July 1985.
- ⁶⁷ *Xinhua News Agency* (London) 27 July 1985 and *BBC Summary of World Broadcasts* (London) FE/8013/A/1/3, 26 July 1985.
- ⁶⁸ For a report of the Five Continent Peace Initiative, see *Third World Quarterly* 7(3) July 1985, pp 699-700. For resumé of issues in the Luanda Declaration, see *BBC Summary of World Broadcasts* (London) ME/8057/B/1-6, 16 September 1985. *Xinhua News Agency* (London) 29 July, 2, 3, 5, 7, 9, 10 September 1985; *BBC Summary of World Broadcasts* (London) ME/8051/ii, 9 September 1985; *IHT* (Paris) 6, 7-8 September 1985; *The Guardian* (London) 9 September 1985.
- ⁶⁹ For the Amman Accord between Jordan and the PLO see *BBC Summary of World Broadcasts* (London) ME/7884/A/1, 25 February 1985.
- ⁷⁰ King Hussein's remarks are reported in *IHT* (Paris) 29 July 1985.
- ⁷¹ Colonel Gaddafi was reported to have sent a letter to the Arab leaders three weeks before the summit convened, denouncing the League as purposeless, possibly to negate the rebuff to Morocco (with which Libya signed a treaty of union in 1984) signified by its boycott. *The Times* (London) 2 August 1985.
- ⁷² For a summary of the major developments and plans in the Middle East peace process of the last few years, see *Financial Times* (London) 23 August 1985.
- ⁷³ The text of the communiqué is in *BBC Summary of World Broadcasts* (London) ME/8025/A/1, 12 August 1985.
- ⁷⁴ *IHT* (Paris) 29 July and 5, 7, 8, 9, 10-11 and 12 August 1985; *The Times* (London) 2, 8, 9 and 10 August 1985; *Financial Times* (London) 31 July and 5, 7, 8, 9 and 10 August 1985; *The Guardian* (London) 29 and 30 July and 7, 9 and 10 August 1985; *The Economist* (London) 10 August 1985; *Kayhan International* (Tehran) 4, 11 and 7 August 1985; *The Muslim World*, 17 August 1985; *Afrique-Asie* (Paris) 26 August 1985; *Democratic Palestine* (Damascus) August 1985.
- ⁷⁵ See *Third World Quarterly*, 7(3) July 1985, p 712.
- ⁷⁶ *Xinhua News Agency* (London) 9, 11, and 13 September 1985.
- ⁷⁷ *Financial Times* (London) 30 September and 3, 4, 5 October 1985; *IHT* (Paris) 30 September and 3, 4, 6 October 1985; *The Guardian* (London) 2, 5 October 1985.
- ⁷⁸ The six-member committee is chaired by Dr Mana Saced al-Oteiba of the United Arab Emirates (UAE). Its other members are Iraq, Iran, Algeria, Libya and Ecuador.
- ⁷⁹ See *Third World Quarterly* 7(2) April 1985, pp 419-20.
- ⁸⁰ The market worsened in the week that the meeting was held; Egyptian prices were cut by 75¢ per barrel for May 1985 and North Sea prices also fell.
- ⁸¹ *Middle East Economic Survey* (MEES) (Nicosia) 29 April 1985 and *The Times* (London) 23 April 1985.

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- ⁸² The council is composed of OPEC members, Venezuela, Nigeria, Indonesia and the UAE, and chaired by Sheikh Yamani of Saudi Arabia. The UAE Oil Minister was not at the meeting.
- ⁸³ Nigeria was reported to be producing at a rate of 1.7m b/d, in contrast to its quota of 1.3m b/d. Ecuador, the second smallest OPEC producer after Gabon, was reported to be producing 280,000 b/d, against its quota of 183,000 b/d.
- ⁸⁴ See (*MEES*) (Nicosia) 6 May 1985 for details; also *MEES* (Nicosia) 20 May 1985; *Financial Times* (London) 1 and 5 May 1985; and *The Times* (London) 2 May 1985.
- ⁸⁵ Saudi Arabia's output was reported to have fallen to 2.3–2.4m b/d, while its quota is 4.35m b/d.
- ⁸⁶ Algeria and Libya refused to acknowledge the last narrowing of official price differentials in January 1985.
- ⁸⁷ See *MEES* (Nicosia) 10 June 1985; *The Economist* (London) 29 June 1985; *Sunday Times* (London) 16 June 1985.
- ⁸⁸ *Middle East Economic Digest* (*MEED*) 22 June 1985; *The Observer* (London) 7 July 1985; *Financial Times* (London) 8 July 1985.
- ⁸⁹ The seven-member committee is chaired by Sheikh Yamani.
- ⁹⁰ Both Mexico and Egypt (non-OPEC members) cut their prices by approximately \$1.50 per barrel for July 1985.
- ⁹¹ *Financial Times* (London) 22, 23, 24 and 26 July 1985; *The Times* (London) 23, 24 and 26 July 1985; *The Guardian* (London) 23, 24 and 26 July 1985; *IHT* (Paris) 22 and 26 July 1985; *The Observer* (London) 21 and 28 July 1985. The OPEC communiqué is in *OPEC Bulletin* (Vienna) September 1985.
- ⁹² Algeria, Bahrain, Iraq, Libya, Kuwait, Libya, Qatar, Saudi Arabia, Syria, Tunisia and United Arab Emirates. The meeting had been rescheduled twice, from 3 July 1985 in Baghdad and from 27 April 1985.
- ⁹³ The OAPEC press communiqué is in *OAPEC Bulletin*, June 1985, p 1.
- ⁹⁴ *Xinhua News Agency* (London) 10 May 1985 and *OAPEC Bulletin*, June 1985.
- ⁹⁵ The GCC final communiqué is in *BBC Summary of World Broadcasts* (London) ME/8001/A/1, 12 July 1985.
- ⁹⁶ *BBC Summary of World Broadcasts* (London) M/7998/i, 9 July 1985 and ME/8001/i, 12 July 1985.
- ⁹⁷ The final communiqué is in *BBC Summary of World Broadcasts* (London) ME/8048/A/1, 5 September 1985.
- ⁹⁸ The Kuwaiti Foreign Minister was speaking at a press conference after the meeting, *BBC Summary of World Broadcasts* (London) ME/8048/A/1–2, 5 September 1985.
- ⁹⁹ *Xinhua News Agency* (London) 4 September 1985 and *BBC Summary of World Broadcasts* (London) ME/8047/i and ME/8047/A/1, 14 September 1985.
- ¹⁰⁰ *Xinhua News Agency* (London) 31 July 1985, *IHT* (Paris) 31 July 1985, *Financial Times* (London) 31 July and 1 August 1985 and *The Guardian* (London), 30 July 1985.
- ¹⁰¹ For the full text of the invitation see *Granma* (Havana) 21 July 1985.
- ¹⁰² In his invitation, Castro expressly denied that his initiative conflicted with proposals of the Cartagena Group, which he saw as 'absolutely independent'.
- ¹⁰³ See *The Observer* (London) 28 July 1985 for a list of the major debtors, and the sums owed.
- ¹⁰⁴ Alan García's inaugural speech is in *BBC Summary of World Broadcasts* (London) ME/8016/D/1, 30 July 1985. See also *IHT* (Paris) 30 and 31 July and 2 August 1985; *Financial Times* (London) 29 July 1985; *The Guardian* (London) 13 August 1985; and *The Economist* (London) 10 August 1985. While attending García's inauguration, twenty-five Latin American countries signed a 'Lima Declaration' containing their views on Latin America's current debt problem. See *BBC Summary of World Broadcasts* (London) ME/8019/D/1–3, 2 August 1985.
- ¹⁰⁵ In addition to President García's rebellious moves against the IMF, President Sarney of Brazil clashed with the Fund in negotiations, and in a speech in Uruguay in August 1985 condemned IMF policies, stating that 'we cannot pay the debt with democracy' and 'we cannot pay the debt with the hunger of our people'. *The Guardian* (London) 19 August 1985.
- ¹⁰⁶ See *The Guardian* (London) 9 August 1985.
- ¹⁰⁷ These former leaders included: Michael Manley of Jamaica; Luis Echeverría of Mexico;

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Alphonso Lopez Michelson of Colombia; Juan Bosch of the Dominican Republic; José Figueres of Costa Rica; Walter Guevara Arce of Bolivia. For a list of participants, see *Granma* (Havana) 29 July 1985.

- ¹⁰⁸ President Castro's final speech to the conference is in *BBC Summary of World Broadcasts* (London) ME/8023/E/1, 7 August 1985. A press conference given by Fidel Castro at the end of the conference on 4 August 1985 is reported in *Granma* (Havana) 11 August 1985. Also in that edition of the Weekly Review a serialisation of verbatim speeches from the conference begins. See also *IHT* (Paris) 4 and 27-28 July 1985 and 7 August 1985; *The Times* (London) 1 and 8 August 1985; *The Guardian* (London) 2 and 8 August 1985; *Financial Times* (London) 31 July 1985; *The Sunday Times* (London) 28 July 1985; *The Observer* (London) 28 July and 4 August 1985; *The Economist* (London) 17 August 1985; and *Afrique-Asie* (Paris) 26 August 1985.
- ¹⁰⁹ The twelve states in attendance of the thirteen-member group were Antigua and Barbuda; the Bahamas; Barbados; Belize; Grenada; Guyana; Jamaica; Montserrat; St Christopher-Nevis-Anguilla; St Lucia; St Vincent and the Grenadines; and Trinidad and Tobago. There was no delegation from Dominica.
- ¹¹⁰ The goods to be protected from foreign competition were those deemed particularly vulnerable, such as steel, cement, fertilisers, automotive parts, processed foods and a range of consumer durables.
- ¹¹¹ Excerpts from the CARICOM summit final communiqué are contained in *BBC Summary of World Broadcasts* (London) ME/W1347/A3/3, 16 July 1985.
- ¹¹² For an article on CARICOM's agricultural arrangements, see *Financial Times* (London) 1 August 1985.
- ¹¹³ Bernard St John outlined the content of some of these discussions in a press conference reported by the Caribbean News Agency (CANA), see *BBC Summary of World Broadcasts* (London) ME/W1347/A3/6, 16 July 1985, and in an interview given to the *Caribbean Times* (London) 30 August 1985. See also *Financial Times* (London) 5 and 11 July 1985.
- ¹¹⁴ For details see the communiqué, and *Financial Times* (London) 27 June, 5, 6, 11 July 1985; *Xinhua News Agency* (London) 8 July 1985; *The Times* (London) 6 July 1985.
- ¹¹⁵ For details of the June 1985 meeting, see *Third World Quarterly* 7(4) October 1985, p 1051.
- ¹¹⁶ The communiqué is in *BBC Summary of World Broadcasts* (London) ME/8011/D/1, 24 July 1985.
- ¹¹⁷ Deputy ministers for foreign affairs for the four Contadora countries toured the five Central American countries from 3-7 August 1985. At a final press conference in San Salvador, they suggested that their visit had achieved positive results, with the five nations hoping to hold a new round of talks in Panama to resolve outstanding issues in the Contadora draft peace pact. *Xinhua News Agency* (London) 6 and 8 August 1985.
- ¹¹⁸ US Secretary of State, George Shultz, after meeting Mexican officials in Mexico City, was reported to have rejected the appeal for the US to resume talks with Nicaragua. *IHT* (Paris) 27-28 July 1985.
- ¹¹⁹ Reference was probably being made to an emerging support group, consisting of Argentina, Brazil, Peru and Uruguay. See *Financial Times* (London) 23 July 1985.
- ¹²⁰ *The Guardian* (London) 24 July 1985; *Financial Times* (London) 23 and 24 July 1985; *The Times* (London) 24 July 1985; *Central America Report* (Guatemala City) 2 August 1985, p 225; *Xinhua News Agency* (London) 20 and 24 July 1985.
- ¹²¹ García's inaugural address is in *BBC Summary of World Broadcasts* (London) ME/8016/D/1-3, 30 July 1985. The four members of the Support Group responded to García's call in a communiqué issued on 29 July 1985. See *Xinhua News Agency* (London) 31 July 1985.
- ¹²² See *The Guardian* (London) 24 August 1984 for condemnation by President Alan García of Peru and Bernardo Sepúlveda, Mexican Foreign Minister, of President Reagan's view of Nicaragua as a threat to the stability of Central America.
- ¹²³ The possibility of stationing a Canadian treaty verification force in the region was mentioned to reporters by Augusto Ramírez, Colombian Foreign Minister. See *The Guardian* (London) 24 August 1985. For further reports on the peace-keeping force, see *Financial Times* (London) 23 August 1985.
- ¹²⁴ *Financial Times* (London) 24 August 1985; *The Times* (London) 23 and 27 August 1985; *The Guardian* (London) 27 August 1985; and *IHT* (Paris) 27 August 1985; *Xinhua News Agency* (London) 27 August 1985; *BBC Summary of World Broadcasts* (London) ME/8040/iii, 27 August 1985.

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- ¹²⁵ The declaration is in *BBC Summary of World Broadcasts* (London) M/8049/D/2, 6 September 1985.
- ¹²⁶ *BBC Summary of World Broadcasts* (London) ME/8048/iii, 5 September 1985 and *Xinhua News Agency* (London) 6 September 1985.
- ¹²⁷ *IHT* (Paris) 9 September 1985, *The Guardian* (London) 10 September 1985, *Financial Times* (London) 10 September 1985, *BBC Summary of World Broadcasts* ME/8053/iii, 11 September 1985.
- ¹²⁸ *IHT* (Paris) 14–15 September 1985.
- ¹²⁹ *Financial Times* (London) 14 September 1985, *The Times* (London) 14 and 16 September 1985, *IHT* (Paris) 14–15 and 16 September 1985, *BBC Summary of World Broadcasts* (London) ME/8057/iii, 16 September 1985.
- ¹³⁰ *Xinhua News Agency* 16 and 17 September 1985. *BBC Summary of World Broadcasts* (London) ME/8061/iii, 20 September 1985.
- ¹³¹ See *BBC Summary of World Broadcasts* (London) FE/7997/A3/4, 8 July 1985.
- ¹³² For the meeting at which ASEAN backed the original Malaysian proposal, see *Third World Quarterly* 7(4) October 1985, p 1048.
- ¹³³ Excerpts of the ASEAN communiqué are in *BBC Summary of World Broadcasts* (London) FE/8000/A3/1–4, 11 July 1985.
- ¹³⁴ See also *Far Eastern Economic Review (FEER)* (Hong Kong) 22 August 1985, on the subject of forced-labour conscription in Kampuchea.
- ¹³⁵ For the *Nhan Dan* report, see *BBC Summary of World Broadcasts* (London) FE/8004/A3/8–9, 16 July 1985.
- ¹³⁶ In a broadcast on 14 July 1985, the Khmer Rouge appeared to remove one of the possible obstacles to a peaceful settlement in Kampuchea, by declaring that they would abide by the results of a general election in the country, even were it to exclude them from power. They also said that they would welcome other Kampuchians, including Heng Samrin, provided they ceased to support Vietnam. See *BBC Summary of World Broadcasts* (London) FE/8004/A3/5–8, 16 July 1985, for the text of the broadcast, and *FEER* (Hong Kong) 1 August 1985; *Financial Times* (London) 16 July 1985; *The Guardian* (London) 16 July 1985. Prince Sihanouk, however, expressed scepticism as to the sincerity of the declaration: *IHT* (Paris) 16 July 1985.
- ¹³⁷ *BBC Summary of World Broadcasts* (London) FE/7997/A3/4–5, 8 July 1985 and FE/8000/A3/1–4, 11 July 1985; *IHT* (Paris) 8, 9 July 1985; *The Times* (London) 8, 9, 10, 11 July 1985 and 8, 20 August 1985; *The Guardian* (London) 9, 10, 11, 16 July and 10 August 1985; *Financial Times* (London) 9, 10, July 1985; *South* (London) July 1985.
- ¹³⁸ The Indochinese Ministers' communiqué is in *BBC Summary of World Broadcasts* (London) FE/8032/A3/2–4, 17 August 1985.
- ¹³⁹ The Jakarta meeting between the foreign ministers of Vietnam and Indonesia took place on 22–24 August 1985. The Indonesian Foreign Minister, Mochtar Kasumaatmadja, reported afterwards that 'we have a compromise in mind', but that the two sides were still 'very far apart'. See *IHT* (Paris) 27 August 1985 and *The Economist* (London) 31 August 1985.
- ¹⁴⁰ Nguyen Co Thach's remarks were made during an official visit to Indonesia, following the Indochinese foreign ministers' meeting. See *IHT* (Paris) 23 August 1985. On the meeting itself, see *BBC Summary of World Broadcasts* (London) FE/8032/A3/1–2, 17 August 1985; *The Times* (London) 17, 19, 27, 29 August 1985; *IHT* 23 August 1985; *The Guardian* (London) 17 August 1985; *Financial Times* (London) 17 August 1985; *The Economist* (London) 31 August 1985.
- ¹⁴¹ The twelve members are Algeria, Botswana, Burkina Faso, Burundi, Cameroon, Kenya, Libya, Mali, Mozambique, Nigeria, Senegal and Tanzania.
- ¹⁴² *Xinhua News Agency* (London) 25 May 1985 and *BBC Summary of World Broadcasts* (London) ME/7953/ii, May 1985.
- ¹⁴³ *Xinhua News Agency* (London) 10 July 1985 and *BBC Summary of World Broadcasts* (London) ME/7996/ii, 6 July 1985 and ME/7998/ii, 9 July 1985.
- ¹⁴⁴ Zaire remained absent from the Summit, while donating \$1m to the OAU Emergency Fund; see *West Africa* (London) 22 July 1985. Only twenty-one of the attending delegations were led by heads of government.
- ¹⁴⁵ The Lagos Plan of Action was formulated at the Economic Summit in Lagos in April 1980, with the objective of collective self-reliance for Africa by the end of the century. The record of implementation has, however, been very poor.

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- ¹⁴⁶ The four states were Angola, Burkina Faso, Mozambique and São Tomé and Príncipe.
- ¹⁴⁷ The members of the Steering Committee for this year are the seven states which prepared the programme of action, Algeria, Cameroon, Ivory Coast, Nigeria, Senegal, Tanzania and Zimbabwe, together with the countries elected to the OAU Bureau.
- ¹⁴⁸ See *West Africa* (London) 22 July 1985.
- ¹⁴⁹ The UN Security Council passed a resolution on 26 July 1985 calling for voluntary sanctions against South Africa, together with the lifting of the State of Emergency declared on 21 July 1985, and the release of all political detainees, Nelson Mandela in particular. The resolution, the strongest in the Security Council since the imposition of a mandatory arms embargo against South Africa in 1977, was voted for by thirteen members with Britain and the US abstaining. The same two countries, the largest Western investors in South Africa, vetoed an amendment proposed by Non-Aligned states, calling for mandatory economic sanctions. The Security Council meeting had been called by France, following its suspension of all new investment in South Africa, and the recalling of its ambassador from Pretoria, in protest against the State of Emergency and subsequent detentions. See the *Financial Times* (London) 26 and 27 July 1985.
- ¹⁵⁰ For background to the Summit see *West Africa* (London) 15 July 1985. See also *West Africa* (London) 29 July 1985; *The Times* (London) 19, 20 and 22 July 1985; *Financial Times* (London) 19, 20 and 25 July 1985; *The Guardian* (London) 20 July 1985; and *Kayhan International* (Tehran) 21 July 1985; *Africa Emergency*: UN Office for Emergency Operations in Africa, September–October 1985.
- ¹⁵¹ The twelve member-countries whose presidents attended were Benin, Burkina Faso, The Gambia, Guinea, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.
- ¹⁵² *West Africa* (London) 3 June 1985 and *Africa Report*, July–August 1985.
- ¹⁵³ The attempted coup in Guinea was led by Diarra Traoré, the Prime Minister ousted by President Conté in 1984. See *West Africa* (London) 15 July 1985, p 1412; *The Times* (London) 6, 9 July 1985; *Financial Times* (London) 6 July 1985; *The Guardian* (London) 8 July 1985; *IHT* (Paris) 6–7 July 1985; *Xinhua News Agency* (London) 8 July 1985; *BBC Summary of World Broadcasts* (London) ME/7996/ii, 6 July 1985.
- ¹⁵⁴ In an effort to win support, the Nigerian President was reported to have offered to back Niger's candidate for the post of OAU Secretary-General, Ide Oumarou, and to admit into Nigeria refugees from its drought-stricken neighbouring countries, (Mali, Burkina Faso, Mauritania, Niger and Benin) See *West Africa* (London) 15 July 1985, p 1411.
- ¹⁵⁵ *The Times* (London) 8 July 1985; *Xinhua News Agency* (London) 8 July 1985; *BBC Summary of World Broadcasts* (London) ME/7996/ii, 6 July 1985, ME/7997/iii, 8 July 1985, and ME/W1347/A2/1–3, 16 July 1985; *West Africa* (London) 15 July 1985, p 1411 and 22 July 1985, p 1463, 1465; *Afrique-Asie* (Paris) 29 July 1985, p 40. For a review of ECOWAS's last ten years, see *Africa Report* July–August 1985, pp 69–72.
- ¹⁵⁶ *Xinhua News Agency* (London) 12 September 1985.
- ¹⁵⁷ The nine member-countries of SADCC are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.
- ¹⁵⁸ *Xinhua News Agency* (London) 10, 12 August 1985 and *BBC Summary of World Broadcasts* (London) ME/8026/ii, 10 August 1985, ME/8027/ii, 12 August 1985 and ME/8028/B/7–8, 13 August 1985.
- ¹⁵⁹ *Xinhua News Agency* (London) 11 July 1985; *BBC Summary of World Broadcasts* (London) ME/8011/B/1, 12 July 1985.
- ¹⁶⁰ President José Eduardo dos Santos of Angola, President Quett Masire of Botswana, President Samora Machel of Mozambique, President Julius Nyerere of Tanzania, President Kenneth Kaunda of Zambia and Prime Minister Robert Mugabe of Zimbabwe.
- ¹⁶¹ The text of the Maputo communiqué is in *BBC Summary of World Broadcasts* (London) ME/8011/B/1, 12 July 1985.
- ¹⁶² *Financial Times* (London) 13 September 1985, *The Times* (London) September 1985 and *Xinhua News Agency* (London) 17 September 1985.
- ¹⁶³ See *Third World Quarterly* 6(3) July 1984, pp 749–50.
- ¹⁶⁴ *BBC Summary of World Broadcasts* (London) ME/8060/ii, 19 September 1985, ME/8061/B/5–6, 20 September 1985, ME/8061/ii, 20 September 1985, ME/8062/B/7–8, 21 September 1985, ME/8063/ii, 23 September 1985; *West Africa* (London) 30 September 1985, p 2065.
- ¹⁶⁵ *Xinhua News Agency* (London) 23 August 1985.

Book Reviews

The titles reviewed are listed below with names of authors and editors

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Creditworthiness: but at what cost?

'I know that the response to this decision [to devote only 10 per cent of Peru's export earnings to debt service] may be the imposition of sanctions and amendments or, as has already been announced, that the Peruvian debt will be declared value impaired. As President of Peru, I come to say that it is not necessary to wait until October for this. The Peruvian debt is already value impaired. We declared it to be so. What we should ask ourselves is how and by whom was our economy impaired and what historical answer must we give to this situation.'

Alan García's question to the Fortieth Session of the United Nations General Assembly should be the starting point for an honest and critical evaluation by the Third World of how little it has been able to influence the industrial countries towards a new direction in finance, debt and trade more sympathetic to their most urgent needs and development goals. Will the South continue pursuing a course which can only impair its economies further? What purpose is there in continuing the charade of attempting to regain creditworthiness when even the debtors who have tried hardest have not been able to regain the market's confidence?

Since all the discussions concerning access to capital markets, culminating with the Baker Plan, have hinged on creditworthiness, the developing countries must decide what they are seeking to finance—growth or progress? Financing for development will entail deficits rather than trade surpluses in the process of creating an economy less vulnerable to exogenous shocks and better able to respond to changes in the international economy. Securing that resilience cannot be compatible with large debt servicing commitments. But if financing is used only to service interest on debt repayments, the new loans need never leave the creditor banks.

The strategy that has emerged after all the prognoses of the debt crisis moving into a second, more growth-orientated phase is a consensus among the major industrial countries, the World Bank and the IMF that the role of the private sector must be strengthened. Can it be realistic to expect that commercial banks will finance poverty alleviation and human development programmes, when the countries who most need them are the least creditworthy in the perception of the market? There seems even to be some confusion over the role of the multilateral

Republic has endured mainly because it has managed to institutionalise its social support.

Although the three books under review all investigate similar questions, their methodologies and approaches are very dissimilar. Dilip Hiro, the Indian-born writer now living in Britain, has produced a highly readable blow-by-blow account of the revolution, beginning with the last years of the Pahlavi monarchy, going through the downfall of the Shah, and concluding with the consolidation of the Islamic Republic. He also has useful chapters on the American hostage crisis, the Mujahedin challenge, and Iran's foreign relations, especially with the West, the Soviet Union, and the Arab world.

Whereas Hiro's approach is predominantly historical, that of Hossein Bashiriyeh is chiefly theoretical. Bashiriyeh is mainly interested in applying social-science theories of revolution, especially Marxist ones, to the Islamic revolution. The book is sprinkled with quotations not only from Marx, Poulantzas and Laclau, but also from Hannah Arendt, J Davies, Ted Gurr, Samuel Huntington, de Tocqueville, and, of course, Crane Brinton. At times the book is on such a broad theoretical level that it misses the mark. For example, the conclusion argues that the revolution and the emergence of populism in the 1970s are rooted in the world-wide capitalist crisis that began in the 1930s. Of course, such an interpretation would explain most crises in most countries in recent decades. An explanation that tries to explain everything ends up explaining nothing. What is more, Bashiriyeh is so interested in social-science theories that he shows little interest in historical information. For example, Ayatollah Mahdavi Kani is listed as one of the leading members of the ruling Islamic Republican Party (p 157). In fact, he is important precisely because he is not a member of that party while being a close confidant of Khomeini. Similarly, Ardalan—the finance minister immediately after the revolution—is named as an example of 'highranking officials' from the Pahlavi regime who survived into the new regime (p 134). In reality, Ardalan was a survivor not from the Pahlavi regime but from the Mossadeq administration and had spent the years between 1953 and 1979 in the political wilderness. Thus Bashiriyeh's book often tends to read like what it is—a hurriedly published social-science thesis. Despite this drawback, the book has interesting general observations in the chapters on the evolution of the Pahlavi state, the rise of the revolutionary ideology, which it labels Islamic Nationalism, the rule of the fundamentalist clergy, and the much talked about Thermidor.

In one respect, the book by Benard and Khalilzad is similar to that of Bashiriyeh. They are all interested not in Iranian history *per se*, but in applying social-science theories to Iranian history. But whereas Bashiriyeh applies mainly Marxist concepts, Benard and Khalilzad are products of mainstream American political science and are interested mainly in applying conventional social-science theories to the Iranian revolution and investigating why their colleagues failed so abysmally to understand that revolution. The book is

formed of seven separate but extremely well-written essays: 'Crisis in Iran, Crisis in Development Theory'; 'Why Islam?'; 'Iran—What Happened?'; 'Prejudice as a Cultural Weapon'; 'The Islamic Republicans in Power'; 'The Islamic Republicans and the World'; and 'Prospects for Iran'. Especially good is an essay showing that modernisation does not inevitably produce secularisation.

In writing about American political science, Benard and Khalilzad reveal much about their discipline—in fact, far more than they are aware of. They argue—as if it were their very own discovery—that many countries in the Third World have returned to their cultural roots, including their traditional religions, in order to preserve their national identity in the face of Western cultural encroachments. Of course, this would be a new discovery for anyone who had not read Fanon in the early 1960s and a host of Third World writers in the mid-1960s. One should never underestimate the amount of illiteracy prevalent in American political science. Only in such a discipline can one peddle old ideas as if they were newly discovered theoretical constructs. They also scrupulously avoid the term 'imperialism', especially American imperialism, and tend to ridicule Iranians who in 1979 feared US imperialism and a repetition of the 1953 CIA coup. The term 'imperialism', especially 'US imperialism', seems to cause as much consternation in conventional American political science circles as the word 'sex' did at Victorian dinner-tables. If one does not utter the word, maybe others will think it does not exist.

Moreover, Benard and Khalilzad—despite their criticisms of their discipline for being myopic and ethnocentric—themselves tend to see Iran almost exclusively through Western sources. Of the 576 footnotes in the book, less than 20 refer to Persian-language sources—and 12 of these refer to two pamphlets published by the Islamic Republican Party. It is as if an Iranian wrote a book on American politics relying totally on Persian-language sources. This contempt for Iranian sources leads the authors to make factual errors on the rare occasions when they venture into the mundane territory of historical events. For example, Ayatollah Lahuti is described as a 'fundamental cleric' (pp 106–7) when in fact he was a leading opponent of the fundamentalist clerics. The authors also—like many other political scientists—run roughshod over European history to reach their theoretical conclusions. For example, they argue that the Islamic fundamentalists are not like European fascists because the latter valued industrialisation (p 72)—this would be contested by anyone familiar with Nazi ideology and its obsession with *Volk*, 'blood and soil', and a healthy pre-industrial society.

Furthermore, Benard and Khalilzad fall into the fashionable temptation of seeing totalitarianism lurking behind anyone opposed to the US and drawing quick parallels between their 'totalitarianism' and Soviet communism. Thus they eagerly label the Islamic Republican Party as totalitarian and look for similarities between it and the Communist Party of the Soviet Union. This, of

course, ignores a host of major differences. One was forged as an underground organisation dedicated to the bringing about of a revolution. The other was created from the heights of officialdom after the revolution had been achieved. One was a highly centralised and disciplined organisation; the other is a loosely knit group of clerical magnates brought together for electoral reasons by Ayatollah Beheshti—many of these magnates having their own independent base of support in the provinces. In fact, since Beheshti's assassination, the Islamic Republican Party has ceased to exist as a nation-wide organisation and many of these clerical magnates have gone their own way. One could easily find some similarities between Khomeini and the present occupants of the White House and from that conclude that Islamic fundamentalism has much in common with Western neo-conservatism. After all, don't both glorify the trinity of God, Family and Private Property? No doubt if Washington ever reaches a *modus vivendi* with Tehran, conventional political scientists in America will quickly discover—in the manner of Jeane Kirkpatrick—that Khomeini is a mere 'authoritarian' dictator and not a dangerous 'totalitarian'. In this respect, American political science is not rigid and moribund!

Despite their shortcomings, these three books offer much food for thought to anyone interested in the Iranian revolution. Bashiriyyeh is especially useful for those exploring Marxist concepts of revolution, state, class formations, and religious populism. Benard and Khalilzad's book is particularly beneficial for those interested in American social-science concepts of revolution, development, and Islamic fundamentalism. And Hiro's is especially handy for those needing a detailed historical narrative of the revolution.

The novice reader, however, should be aware that Hiro—despite valiant attempts to be politically impartial—often falls into the trap of seeing events through the eyes of his primary sources. And since his primary sources—insofar as he has any—are chiefly members of the present regime, he ends up viewing the revolution very much through the perspective of the existing elite. The book is replete with such examples. Former supporters of the regime who have fallen by the wayside—Bazargan, Qutbzadeh, and Sayyed Javadi—are described as having 'chequered careers' (pp 67, 104 and 218). Foul play is suspected in the death of Khomeini's elder son (p 69)—in fact, not even the senior Khomeini claims that. Five thousand are said to have fallen victim to the Shah's terror in the period between 1953 and 1955 (p 36). This is 4,940 more than the real figure; and the real figure is, of course, 60 more than was morally justifiable. The horrifying cinema fire that burnt to death over 410 people in Abadan during the revolution is blamed on the old regime (p 74). In fact, after the revolution constant protests from the families of the victims forced the new regime to bring to justice the arsonists—and these arsonists turned out to be religious fanatics. Forqan—the extreme religious group that assassinated a number of clerics after the revolution—is suspected of having SAVAK and CIA connections (p 114). Forqan publications, however, show that the group

BOOK REVIEWS

some of these desiderata are not new, the three authors present very convincing arguments for the urgent need to implement them. Policymakers in both industrial and less developed countries should read carefully into these suggestions otherwise we may face the risk of gloomy forecasts becoming a reality.

From the fifth chapter on, the topic of integration becomes the focal point. This is introduced by an interesting paper by Juan Somavía, emphasising the importance of the political aspects of regional cooperation with particular reference to border disputes and democracy. It contains a list of the lines of action which could be taken by the Latin American countries to further the objective of achieving internal and international peace in the region.

The following chapters concentrate on the economic aspects of regional integration with particular reference to several case studies evaluating the results of the CACM, CARICOM, and the Andean Pact in increasing the trade flows among themselves. These are preceded by a general discussion by José Antonio Ocampo and a précis by Dragoslav Avramovic on the causes of the recent collapse of intra-Latin American trade.

Ocampo's article is a most interesting piece. It deals with the financial aspects of intra-regional trade and examines closely what can be considered the most important obstacle at present to increasing trade between the Latin American countries: the system of payments. Ocampo makes the point that intra-regional trade disequilibria have forced deficit countries to reduce their imports from LAIA (Latin American Integration Association) countries. Ocampo analyses the LAIA payments agreement (based on reciprocal lines of credit and multilateral compensation agreements) and attributes the decline of trade flows among Latin American countries to the inadequacy of the available lines of credit, which around 1980 led some countries to operate outside the agreement. This problem was further aggravated in 1982, when the system of coverage was drastically reduced due to the withdrawal of several countries of their debtor balances from multilateral compensation. The chapter concludes by offering several lines of action for reforming the payments system.

However varied the topics dealt with and the variety of opinions expressed throughout the book there were a number of recurrent views and a certain homogeneity in the style of argumentation of several of the authors. For instance: on the diagnosis of the current economic situation and the causes of its steady deterioration; on the desirability of policies geared towards redistribution of income and more autonomous development in Latin America and economic expansion and less trade protectionism in the industrial countries; on the urgency of reforming multilateral lending agencies; and, on the need for the Latin American countries to act more in concert. Even the language used by some of the authors is strikingly similar: 'financial permissibility', 'external vulnerability' of Latin America and its 'insertion' in the international system, not to mention the obvious 'centre' and 'periphery'.

The Nicaraguan revolution's fifth anniversary

Rubén Berrios

Nicaragua: The First Five Years

Edited by Thomas Walker

New York: Praeger. 561pp. \$14.95pb.

Five years of revolutionary experience is still early to determine the achievements of the Sandinistas and to predict the ultimate course they will follow. However, a preliminary assessment can be made and this is what makes Walker's books both valuable and fascinating; it is one of the most comprehensive volumes yet compiled bringing together twenty-six essays dealing with public policy, power, interest groups, economic and social policy, and the international dimension of the Nicaraguan experience. Virtually all chapters are written by scholars with direct field experience in Nicaragua.

The editor of this volume sets the stage in the introduction by tracing the political history of the Nicaraguan revolution. What distinguishes Nicaragua from other Latin American nations is that in a very short time it has undergone significant restructuring of the social configuration of power. The Sandinistas have embarked on a number of social programmes designed to satisfy basic needs. In spite of the problems encountered, this would not have been possible without the popular support they enjoy. The challenge of running a revolutionary system is a hard lesson to learn and mistakes have been made. Moreover, in attempting to preserve pluralism and a mixed economy, the non-cooperative and often confrontational behaviour of dissatisfied minorities is still a major obstacle to social change.

As the editor stresses, the philosophical or ideological foundation of the new system was a matter of considerable controversy. From the start, the former privileged minority and their allies, such as the pro-business newspaper *La Prensa* and the conservative hierarchy of the Catholic Church, regarded the Sandinistas as communists who would trample over private property and suppress civil liberties. These accusations were further fuelled by conservative forces in the United States. For instance, the platform of the Republican Party in 1980 denounced 'the Marxist-Sandinista takeover' in Nicaragua, and in 1981 the Reagan administration mounted a campaign to convince public opinion that Nicaragua was a 'Marxist-Leninist totalitarian state'.

According to Walker and the writers dealing with the issue (LeoGrande, Malley, Maxfield & Sholk), the reality of the situation, however, was different. The Sandinistas adhere to the ideology of *Sandinismo* which is a heterodox blend of Marxism, nationalism and Christianity. There are Marxists in

resistance and wanton acts of destruction. We are opposed to terrorism because we are the victims of terrorism. Any armed resistance can be condemned as a terrorist activity. This is how we are seen by the Western/American/Israeli mass media. But there is a fundamental difference between terrorism and armed resistance. It is the right of the people of any nation facing opposition, occupation and racism to offer resistance by all means. The United Nations Charter gives them this right. The real terrorists are the invaders and the occupiers of the lands of the Palestinians.

AG: *Does this make violence or armed resistance synonymous with the right to self-defence?*

ARAFAT: Actually, we are doing no more than defending ourselves. The aggressors have the upper hand in the mass media. Take the case of the *Achille Lauro*. We received official requests from the Italian Government that we should work with the Italians and the Egyptians and other Palestinian groups to safeguard the lives of 400 passengers and the crew of the ship. We did that and nobody thanked us for it. Instead the media built a great story about the killing of one American on the ship. The truth is that the Americans never thought that the passengers would be saved and they were planning to make a great issue out of it. But when the ship was brought to the harbour and the passengers were released they thought the world might give us some credit for it. So they built a propaganda campaign around the death of Leon Klinghoffer to discredit the PLO. But when the Jewish Defence League killed an American of Palestinian origin, Alexander Odeh, the Western media took no notice of it.

The amazing thing is that the Americans expect the PLO to control all the acts of all the Palestinians. I am presented to the world as a superpower who should be held responsible for everything that happens anywhere in the world in which any Palestinian is involved. Reagan was himself shot at by an American citizen and Kennedy was killed by an American citizen but that did not make all Americans terrorists. If the US government cannot control all the acts of every single American, how am I expected to control the acts of every single Palestinian? You have the Red Brigade in Italy, the Baeder Meinhoff Gang in Germany, the Red Army in Japan. but that does not make all Italians, Germans and Japanese

rapid growth. In fact, within a year of coming to power, the Sandinistas had doubled the number of countries with which it had relations. The socialist and non-aligned countries are now important trading partners of Nicaragua.

Prior to 1979, Nicaragua's small open economy had strong trading and financial links to the markets of the United States. They have tried to redress this dependence, seeking ties with a wider and more diversified range of trading partners. Parallel to the growth of these ties, a deterioration of US-Nicaraguan relations has occurred. As the US suspended its economic aid to Nicaragua, the Sandinistas sought assistance from and expanded their economic links with the socialist countries. However, taking a lesson from the Cuban experience, the Sandinistas tried to avoid dependence on the socialist countries and instead sought relations with as many countries as possible. The chapters in this section examine Nicaragua's relations with the United States, the communist states, the Non-Aligned Movement, Western Europe (and the Socialist International) and Latin America.

The final part of the book, the epilogue, is an excerpt from the Report of the Latin American Studies Association (LASA) delegation which observed the 1984 Nicaraguan elections. This is an historically important document, drafted by a delegation of a major professional organisation of thousands of scholars who study and teach about Latin America. According to the report, by all objective measurements the Nicaraguan elections were considered cleaner, fairer, and more democratic than those held in El Salvador a year earlier.

The articles are sometimes uneven in quality but on the whole the book itself is a well-balanced assessment of the first five years of Sandinista rule. The significance of the book is that it addresses a wide range of issues. Although ambitious, it is often an informative book and should be of interest to those concerned with Nicaragua. It is also mainly aimed at explaining the Sandinistas's case. If the book gets the attention it deserves, it should prompt an interesting debate.

Pakistan's past

Nicholas Mansergh

The Sole Spokesman: Jinnah, the Muslim League and the Demand for Pakistan

Ayesha Jalal

Cambridge: Cambridge University Press. 1985. 310pp. £27.50

In the preamble to Pakistan's first Constitution, Mohammed Ali Jinnah was described as the 'Creator of Pakistan'. It is as 'Creator' or architect, that he is

passing into history, that basic ascription remaining virtually unchallenged. But interest, and with it, historical enquiry, is coming to focus on how he came to fill the role of Quaid-i-Azam, the 'Great Leader', and how, when he had done so, he had envisaged the state of which he was later deemed to be the creator. Did he think of the Pakistan which was his goal as a component co-equal with Hindustan in a federation whose common purposes were confined to foreign affairs and defence, or as a separate state conforming territorially to existing provincial frontiers, or as one delimited by an act or acts of partition? Behind these particular questions and conditional on the answers to them lies the critical personal and as yet suspended judgement on whether, with the emergence of a bifurcated Pakistan on 15 August 1947, Jinnah is to be regarded as having succeeded or failed in his ultimate purposes. What were his aims?

The publication of Dr Jalal's study, probing and scholarly in approach, and well-grounded in sources—both British and Pakistani—which have recently become available or more accessible, is an important, perhaps the most important, contribution yet to this developing debate. It disposes of simplistic notions of Jinnah as a predestined leader advancing by stages to a predestined goal. Neither, the author stresses, may be thought of with such assurance. All, or almost all, was contingent upon tactics, manipulation, and the interplay of aspirations and interests within a Muslim leadership more strongly entrenched, until the penultimate phase, in the Muslim majority provinces than was Jinnah in the all-Indian scene. Jinnah, she demonstrates conclusively, did not move from a position of strength but rather, despite potential in terms of popular backing, from a position of marked weakness.

Dr Jalal's analysis is on two levels, the first wide-ranging and general, the second particular and personal. On the first is 'the central problem' to which her book addresses itself, namely, 'how did a Pakistan which fitted the interests of most Muslims so poorly come about': and the second, the complementary one (as the author graphically phrases it in relation to the 1940 Lahore Resolution) that of 'teasing out' the inwardness of Jinnah's strategy and so identifying 'what he actually thought to be the real solution to the hard political problems of sharing power within India'. It is by concentration upon the second that Dr Jalal seeks to throw significant new light upon the first.

Jinnah was a moderate in politics and the fusion of religion and politics in the Khalifat movement alienated him from the Congress under Gandhi's leadership. He was, however, also a Nationalist, concerned with the share of power Muslims, as by far the largest of the minorities in India, should have in self-governing India. He noted without satisfaction the trend in British policy in the 1920s and 1930s, progressively to enlarge the area of provincial self-government without corresponding concessions at the centre. Himself lacking a secure provincial base, he perceived that it was the centre that would be crucial were India to remain one. Not for him the Punjabi Muslims'

construct of India's future, playing states' rights against a weak federal centre. On the contrary, he had to move on an All-India base or there was nothing. From that there followed the developing conviction that the divided and part-moribund organisation of the All-India Muslim League must be resuscitated with Jinnah himself as its spokesman.

After the 1937 provincial elections, it looked as though provincial party interests in the Punjab and Bengal would consolidate their position, and in a self-governing India counterbalance, or overbalance, a weak centre. But the outbreak of war changed all that. The Viceroy wanted an all-India counterweight to the Congress. Jinnah seemed best fitted to provide it. It was that new assessment that opened the way for the 1940 Lahore Resolution.

Dr Jalal sees the Resolution as a bargaining counter which had the merit, from Jinnah's point of view, of being acceptable to majority province Muslims and totally unacceptable to the Congress and the Raj. 'This,' she adds by way of explanation more sophisticated than any that was at the time entertained, 'in turn provided the best insurance that the League would not be given what it now apparently was asking for but did not want'. Yet at Lahore, Jinnah, by redefining the problem in terms not of accommodation of minority with majority but of separate nationhood and consequent parity, changed the perspective. Dr Jalal, however, makes no claim, as has Professor Wolpert in a recent biography¹ that Jinnah foresaw the sequel. On the contrary, she concludes that Jinnah's inscrutability was to be attributed not to foresight but to the weakness of the hand he had to play. Rightly, she concludes that Jinnah's aims are to be unravelled the hard way by analysing his tactics.

Dr Jalal specifically repudiates the notion that her study is an essay in provincial history. Nonetheless, her analysis owes much to her chapter on Jinnah and the Muslim majority provinces, which opens up a new dimension in the explanation of this crucial aspect.

Dr Jalal's analysis of the 1945 Simla Conference which came to nothing—that was Jinnah's good fortune—and the Cabinet Mission, whose proposals for grouping at least envisaged territorially the Pakistan to which Jinnah aspired, lead on to her perception of the 'tragic collapse' of Jinnah's strategy with the descent into communalism in its cruder forms that shadowed the last months of British rule. And then to Attlee's decision to quit India, without first conceding the principle of a Pakistan with its frontiers generally conforming to provincial boundaries—not that anyone could seriously have supposed he would do so. By contrast, the Mountbatten Viceroyalty is taken at a hectic pace that may have been thought fitting for its subject, with the tone dismissive as if all options were closed. This is the least satisfying part of a study of outstanding interest.

On one point one might enter some reservation. If the League leadership, Liaquat as well as Jinnah, entertained such pronounced misgivings about

¹ S Wolpert, *Jinnah of Pakistan*, New York: Oxford University Press, 1984

Pakistan's survival potential as their quoted words suggest, Liaquat at least concealed it well in the spring of 1947, though he did then think the British were leaving too quickly. And, on another, a correction. It was not on 18 August but on the morning of 16 August 1947, that the Boundary Award, its publication already delayed, was circulated to members of the Defence Council and on the afternoon of that day discussed by the Indian Pakistani leaders. By then, time was of the essence.

Proliferation problems

Ben Schiff

Nuclear Proliferation Today

Leonard S Spector

New York: Vintage for Carnegie Endowment for International Peace. 1984. 478pp. \$5.95pb

Safeguarding the Atom: A Critical Appraisal

David Fischer and Paul Szasz, edited by Jozef Goldblat

London: Taylor and Frances for Stockholm International Peace Research Institute. 1985. 243pp. np

Nuclear Proliferation Today is a useful review of the present state of global nuclear proliferation. It is the most comprehensive recent study of the spread of nuclear weapons, bringing together a wide range of published information and expert observations on nuclear weapons development programmes in many countries. It dwells on capabilities while putting forward a worst-case analysis of national intentions with regard to further nuclear development.

Spector's book is authoritative, timely, clearly presented and wide-ranging. It can serve as a useful starting point for discussions of appropriate responses to the proliferation problem. The implication of the analysis is that proliferation continues to be a major international threat, that international measures taken so far to stem proliferation are inadequate, and that regional and local imperatives are the primary motives that lead states to pursue the development of nuclear weapons.

While these implications are generally accepted among observers in developed states interested in controlling nuclear proliferation, they give short shrift to the arguments of others who regard horizontal proliferation to be in

part the product of major power arms races, and who regard proliferation to be a minor sideshow to the major issues of East-West and North-South conflict. The Spector report represents the moderate centrist arms-control view of US anti-proliferation officials and activists.

This volume was planned as the basis for annual update reports which will follow. Such a 'non-proliferation annual' will be a welcome contribution to the non-proliferation debate, easing the problem of collating the masses of information that appear in the press and from governments in this important area. As a snapshot of nuclear capabilities and potentials of non-nuclear weapon states in 1984, it is an invaluable work.

Nuclear Proliferation Today devotes very little space to international efforts to control proliferation. The SIPRI volume, *Safeguarding the Atom: A Critical Appraisal* is a major contribution to discussion of the efficacy and future of the international non-proliferation regime. Written primarily by the former Assistant Director for External Relations of the International Atomic Energy Agency (IAEA), David Fischer, the book provides an excellent overview of current IAEA safeguards practice. The appraisal is 'critical' in that it draws on Fischer's long experience in the IAEA to point out the weaknesses of the system and to make proposals to reinforce it. *Safeguarding the Atom* serves as an excellent sequel to earlier books on the IAEA's safeguards system, notably Alan Knight's, *Atomic Safeguards: A Study in International Verification* (New York: UNITAR, 1971), and Benjamin Sanders, *Safeguards Against Nuclear Proliferation* (Cambridge, Mass: MIT Press for SIPRI, 1975). It describes the current safeguards framework clearly and concisely, including texts of relevant treaties, IAEA documents, and a list of NTP member states in a useful set of appendices.

Fischer's co-author, Paul Szasz, a UN legal expert and former IAEA employee, argues that international organisations in general, and the IAEA in particular, are not capable of coercive authoritative sanctions. Although Szasz's analysis comes at the end of the volume, the argument is basic to the rationale for the IAEA that Fischer pursues in the rest of the book. Fischer argues that the Agency's safeguards system effectively verifies that states that have promised not to divert nuclear materials from declared facilities are in fact living up to their commitments, and that the threat of exposure of illicit activities does contribute to the retardation of nuclear proliferation.

Fischer attacks critics of the IAEA who declare it ineffective or irrelevant by demonstrating that it is increasingly successful at carrying out the limited mission for which it was established. He challenges those who argue that it is impossible for the IAEA simultaneously to promote and safeguard nuclear technology. Unlike national nuclear authorities, the IAEA should not be divided into two separate agencies to promote and control the technology. The 'AEA is not analogous to domestic regulatory organisations because it cannot coerce or enforce behaviour. The Agency's promotional activities are not

primarily in the nuclear power area, but rather in medical and agricultural applications of isotope technology and in health and safety: it is not working at cross-purposes. Safeguards themselves should be seen as a promotional activity, because the safeguards system has made major nuclear exporters more willing to transfer technologies that they might otherwise limit.

Fischer's summary of IAEA safeguards rules and procedures includes suggestions for improvements that knowledgeable observers will recognise as policies he promoted when he worked for the Agency. Politically innovative and realistic, Fischer's proposals continue to merit serious consideration and action. He believes that the Agency's efforts should be based on a more explicitly political set of objectives, including the maintenance of its own credibility.

The political aim might perhaps be to confront a would-be NWS [nuclear weapons state] with such a risk of detection that it would prefer to withdraw from the NPT [Treaty on the Non-proliferation of Nuclear Weapons] . . . it [the IAEA] must avoid the risk of giving ammunition to its critics by setting quantified aims that are so exacting that the IAEA cannot in practice achieve them . . . yet being perfectly able to force any would-be NWS [nuclear weapons state] to come out into the open rather than to cheat (p 45).

The IAEA inspectorate could be improved if proportionately fewer inspectors came from nuclear weapon states, more from neutral states, and if the inspectorate could become rather more careerist: the current two-year terms for inspectors reduce the continuity, experience, status and salary levels of the inspectorate.

Fischer believes that Third World states' emphases in the IAEA upon technical assistance are based on misperceptions of reality. Nuclear power is *waning in importance in the developed countries, and even more so in the Third World*. The IAE itself can never become a major technical assistance organisation, because the technology is simply not a high priority for most developing countries. Especially because of its tremendous capital intensity, nuclear power will appropriately remain a minor aspect of North-South technology transfers. Secondly, Fischer argues that Third World diplomats' notion that nuclear proliferation is a remote threat is mistaken. The states that represent the most immediate proliferation threat—Argentina, India, Israel, Pakistan, South Africa—constitute regional Third World threats much more than they do threats to the central system. For Fischer, then, it is the Third World that should be most concerned about the security aspects of nuclear proliferation.

Fischer considers the developed nuclear supplier states to be largely at fault for the misperceptions of other countries. They originally oversold the desirability of nuclear technology, creating demand for technology transfers out of proportion to its need. When they reversed course and became increasingly concerned with proliferation, they acted largely without consultation or agreement with Third World countries, and created opposition

where it could have been avoided. Fischer believes that the 'un-selling' of nuclear power will be a slow process, but the inclusion of Third World states in multilateral non-proliferation efforts (within and outside the IAEA) should be a guiding principle for the future, and unilateral or exclusively supplier-state initiatives should be avoided.

Fischer joins other non-proliferation enthusiasts and observers of the IAEA who decry the politicisation of the Agency and, in particular, its Board of Governors. Claiming that Third World control of the Agency will reduce its ability to take appropriate actions to extend safeguards and this will in turn reduce supplier state support for the Agency, Fischer endorses the extension of IAEA activities and tightening of its rules through actions taken at the sub-political levels of the secretariat. He sees no chance that the IAEA's Statute can be usefully modified, or that the Board of Governors can be both a representative and relatively apolitical body.

In his review of the major innovations in safeguards and proposals for future institutional mechanisms for controlling proliferation, Fischer offers a quick overview of the important initiatives of the last decade. Curiously he omits the activities of the IAEA Committee on Assurances of Supply, which was supposed to work out a code of behaviour to depoliticise supply controls in the wake of the US Nuclear Non-Proliferation Act of 1978 and unilateral supply cut-offs threatened against states not complying with US (and Canadian) export control legislation.

These two books present a useful if still partial view of the international non-proliferation regime. The Spector book presents the non-proliferation status quo in an appropriately alarming light, assembling masses of useful information into a highly readable and accessible form. It is largely bereft of a careful discussion of non-proliferation measures or a serious description of Third World perspectives of the problem. The Fischer and Szasz book authoritatively describes the IAEA's safeguards system and its limitations, including useful suggestions for its modification. Fischer and Szasz address many of the important political and technical issues facing the IAEA and thus the NPT, but the perspective is still very much a 'First World' view. Together these two volumes provide excellent information on the current state of nuclear proliferation. They will serve as definitive starting points for others' discussions of non-proliferation responses.

The Commonwealth world view

Stephen Chan

Towards a New International Economic Order

London: Commonwealth Secretariat. 1977. 84pp. £0.50p

The Common Fund

London: Commonwealth Secretariat. 1977. 84pp. £0.50p

The World Economic Crisis—A Commonwealth Perspective

London: Commonwealth Secretariat. 1980. 101pp. £1.00pb

Protectionism—Threat to International Order

London: Commonwealth Secretariat. 1982. 152pp. £2.00pb

The North—South Dialogue—Making it Work

London: Commonwealth Secretariat. 1982. 62pp. £2.00pb

Towards a New Bretton Woods

London: Commonwealth Secretariat. 1983. 148pp. £5.00pb

The Debt Crisis and the World Economy

London: Commonwealth Secretariat. 1984. 114pp. £3.00pb

When Shridath Ramphal became Commonwealth Secretary-General, he inherited from Arnold Smith a Secretariat with most of its functional divisions established and their work defined. It was, and is, a small Secretariat, not capable by itself of making any major impact on international development or international economic reform. Moreover, neither the Secretariat, nor the Secretary-General was meant to arrogate to themselves executive functions. That is, they existed to respond to and service the expressed needs of Commonwealth governments, and they could not determine by themselves what those needs might be. Furthermore, the Commonwealth style of inter-governmental consultation, from the heads of government summits down, was based on consensus and typically resulted in uncontroversial or extremely general communiqués. In sum, Ramphal and his Secretariat could, on the face of things, expect little clear and radical direction from Commonwealth governments, particularly on international economic questions where, except in the most general expressions of unity, a division

existed between the Northern and Southern members; nor was Ramphal meant to determine, in any manner reminiscent of executive action, what direction the Commonwealth as a whole, he or his Secretariat should move in; and, finally, the Commonwealth Secretariat was too small for effective movement in radical directions anyway.

Added to all this was the very nature of the Commonwealth organisation. It had no charter like the United Nations. In its place it had a general Declaration of Principles which had been agreed by heads of government in Singapore, in 1971. The organisation to which Ramphal was called as Secretary-General had an amorphous structure and, the value of its generalised form of consultation aside, had very little real justification for its existence, or real evidence that it had developed fundamentally away from its historical genesis.¹

Ramphal has, since his appointment (and two re-elections), brought the power of his personality to play, and has made himself so formidable an asset to the Commonwealth that Margaret Doxey has written that 'the Secretary-General is probably the contemporary Commonwealth's major resource.'² What he has done is to have brought the tenor and personality of a 'proper' international organisation to the Commonwealth. As Sir William Dale pointed out, international personality is acquired, 'rather than inherited genetically from the constitution of the organisation'.³ The acquisition of international personality for the Commonwealth has been Ramphal's undeclared but discernible mission, making the generalised form of consultation and the lack of a charter into advantages rather than obstacles. The aim of the present paper is to explain one of the methods used by him to involve the Commonwealth in the struggle for international economic reform, despite Northern reservations and resistance to the entire New International Economic Order aspiration.

The instrument to be described here is the Commonwealth Group of Experts. There have been two types of expert groups. A 'Commonwealth Team of Experts' was despatched to Uganda, very shortly after Amin's fall, at the request of President Lule. In a virtuoso two-month performance, the team improvised a comprehensive and breath-taking report on how Uganda's economy might be rehabilitated.⁴ The Ugandan team has been the only one of its kind. The other category of expert group originates in a different fashion. These expert groups have produced seven reports from 1975 to 1984, the period under review here. The experts themselves are prominent

¹ I have tried to deal with some of these issues in: Stephen Chan, 'Three birds of different feathers: the Commonwealth, the Commonwealth Secretary-General, and the Commonwealth Secretariat', *The Round Table* (291) 1984

² Margaret Doxey, 'The Commonwealth Secretary-General: limits of leadership', *International Affairs* 55(1) (1979), p. 82

³ Sir William Dale, 'Is the Commonwealth an international organisation?', *Commonwealth Law Bulletin*, 9(2) (1983), p. 654.

⁴ *The Rehabilitation of the Economy of Uganda* (2 vols), London: Commonwealth Secretariat, 1979.

Commonwealth academics and/or public figures, and may be described as members of an 'inner circle' in international life, their advice being much drawn upon by a number of agencies. Figures such as Bernard Chidzero, Tommy Koh, and Kenneth Dadzie have featured. Some experts have served on more than one group. Professors A D Brownlie of New Zealand, Stuart Harris of Australia, H M A Onitiri of Nigeria, and Sir Alec Cairncross of the United Kingdom have all served on two groups. Canada's Professor G K Lelleiner has also served on two; three counting the Ugandan team. And Sri Lanka's Lal Jayawardena holds the record for having served on five groups.

How it all works

Ramphal became Commonwealth Secretary-General in 1975. In 1973, OPEC nations forced a massive increase in the price of oil; Third World nations, meeting in Algiers, called for a New International Economic Order. In 1974, at the Sixth Special Session of the UN General Assembly, this call was adopted by the world's largest international organisation. There seemed to be a trend, and the Commonwealth had, in some way, to be cognisant of it. Firstly, many of its members were being badly affected by the rise in oil prices; secondly, the Commonwealth Heads of Government, meeting in Jamaica in 1975, wanted to continue the 'spirit of Ottawa', a cordiality and unity achieved at their last meeting in 1973, which contrasted markedly with the two days of extremely sharp debate over British arms sales to South Africa at the 1971 Singapore meeting, and the differences of approach over Rhodesia at meetings before that; among the Northerners, Britain at least wanted to avoid acrimony at the Jamaica meeting; thirdly, apart from the call of the UN General Assembly's sixth Special Session, the Lomé Convention had recently been concluded, embracing a great deal of the Commonwealth membership, and was being heralded as a model of international cooperation to which the Commonwealth had, at least, to genuflect.

This was all a trend with which Ramphal had been deeply involved, having been a prominent Third World spokesman in the negotiations leading to Lomé. His own interest in economic reform, coupled with the economic circumstances of Commonwealth nations and the mood at the Jamaica meeting, led to an initiative spearheaded by his friend and West Indian colleague, Michael Manley, who chaired the Jamaica meeting. The approach was innocuous. The meeting commissioned a Commonwealth group of experts to study the programme steps necessary for progress towards a new international economic order. This was the first of the seven discussed here.

The reports of these expert groups simultaneously originate from Commonwealth Heads of Government Meetings (CHOGMs) and sidestep them. A CHOGM commissions their work, and the next CHOGM receives completed reports. The commissioning CHOGM will contain Northern members happy to refer potentially divisive issues to expert committees; the

receiving CHOGM need only note that an expert group has reported, share the general concern of the report, endorse in (again) general terms aspects of the report, then commend itself for having furthered the debate on international economic reform. At this stage, the Secretary-General will notify the need for a further report. The effect is a cumulative one. Without CHOGMs ever formally adopting a programme of action, involving a concert of Northern and Southern Commonwealth nations, they appear deeply concerned with the progress and technicalities of the North-South dialogue. Because CHOGMs are summit meetings, the reports and their recommendations appear to carry the imprimatur of presidents and prime ministers. Because it is the Secretary-General who suggests topics for study, or prompts sympathetic heads of government to suggest certain topics; and because it is he who selects the experts who will report, the whole process has become a neat device to advance the New International Economic Order theme, and to cover it with the cloak of ostensible Commonwealth support.

An analogy with the Brandt Commission

In a very real manner, the expert reports perform the sort of work that the Brandt Commission involved itself with, notwithstanding the higher public profile of the Brandt Commission and the political eminence of its commissioners. The Commonwealth experts serve on their groups in their private or individual capacities; they do not represent their nations. Similarly, Ramphal served as a Brandt commissioner in his private capacity, and not as Commonwealth Secretary-General. Ramphal would not have been selected as a commissioner, however, had it not been for his work, through the Commonwealth, on international economic issues. The fact that the commission, in the closing stages of report-writing, ensconced its own secretariat in Commonwealth Secretariat offices, and that Ramphal then played a major role in drafting its report, lent an even greater impression of Commonwealth concern, if not direct involvement, in the economic issues of the day. Perhaps it was only an image that was being massaged, but the similarity in tone between the Brandt report and the Commonwealth expert group reports is apparent.

If there is a similarity in tone, there is also one in the weaknesses of the reports. Brandt was as savagely criticised as it was welcomed, and some of the most severe criticism came from development specialists who might have been supposed to be sympathetic to its effort. Michael Lipton, while saying that the report had its essentials right, and was the best report available, nevertheless pointed out a number of its technical deficiencies, the fact that it was academically flawed, and that the report would be criticised for having treated far too broad a canvas.⁵ Dudley Seers complained that the report attempted to premise its argument on a mutuality of interest between North and South, and

⁵ Michael Lipton, 'Brandt: whose common interest?', *International Affairs* 56(2) (1980).

then to assert that this mutuality had a moral base—therefore an improved North–South dialogue would mean an improved international morality.⁶ Hans Singer noted that the report really said nothing new, and that it was, in any case, a curiously North-Western document, with none of the authors/commissioners having been drawn from the Soviet Union and China.⁷ Michael Tribe commented that the report failed to recommend practical action to implement its view of mutuality,⁸ a view also expressed by André Gunder Frank, whose comments along with those of other radical critics suggest that the real international debate is not about a transfer of resources, but a transfer of power.⁹

All of these complaints might be equally applied to the Commonwealth expert group reports—although one of them is not an area the Commonwealth can do anything about, since neither the Soviet Union nor China are Commonwealth members. Indeed, with no communist nation in its membership, and despite an ostensible condition of non-alignment for many of its members, the Commonwealth is a sort of North-Western and South-Western association of nations. The Southern nations are, in any case, bound by debt and other dependencies to the North-West, and they have certainly not demurred from the international Keynesianisms of the expert group reports, nor or their own premises of morality and mutuality.

A unique Commonwealth purpose

The question as to whether the Commonwealth expert group reports have improved the world, enhanced its moral tone, or contributed significantly and positively to the North–South dialogue will be addressed more fully later in this review. They have, however, played a role in changing the character of the Commonwealth, and in lending it the image of an organisation whose progress has been from colonial hangover to spokesman for its poorer members. They, together with the Secretary-General's official and private activisms, have defined a new Commonwealth and have sought to institutionalise this newness.

Although the Commonwealth has the 1971 Singapore Declaration of Principles in place of a charter, it is in fact something more than a declaration in substance. 'It embodies, amongst other things, an agreement to follow certain principles, and to take certain kinds of action.'¹⁰ Since 1971, however, CHOGMs have released other declarations; all of these declarations have been made within Ramphal's term of office; all of them may be seen as elaborating

⁶ Dudley Seers, 'North–South: muddling morality and mutuality', *Third World Quarterly* 2 (4) (1980).

⁷ Hans Singer, 'The Brandt Report: a 'northwestern' point of view', *ibid.*

⁸ Michael Tribe, 'Critical Reflections on the Brandt Commission Report', *African Affairs* 81 (325) (1982).

⁹ André Gunder Frank, 'North–South and East–West. Keynesian paradoxes in the Brandt Report', *Third World Quarterly* 2(4) (1980).

¹⁰ Dale, *op. cit.*, p 647.

the original Singapore Declaration, in a cumulative exercise of adding more and more flesh to the generality of the parent declarations—of making the 'certain principles' more specific, as well as the 'certain kinds of action'. Taken together, the collected declarations begin to resemble a charter, and seek to impart a legitimacy, a kind of legal documentation, to the Commonwealth's acquired international personality.

The four elaborations are: (1) the 1977 Commonwealth Statement on Apartheid in Sport (Gleneagles Agreement); (2) the 1979 Lusaka Declaration of the Commonwealth on Racism and Racial Prejudice; (3) the 1981 Melbourne Declaration, concerning international economic issues; and (4) the 1983 Goa Declaration on International Security. It is the Melbourne Declaration that concerns us here. It is itself a general statement of concern, and commits the Commonwealth to nothing other than a certain tenor in its world view—and does not commit Northern members to anything at all. But the tenor of this world view is the same tenor to which the expert group reports have been striving; the 'larger moral' view is emphasised, as is the 'Mutual interests and interdependence of all nations'.¹¹

Seen in this light, the Commonwealth expert group reports have had, if nothing else, a uniquely Commonwealth impact—not to improve economic conditions for individual Commonwealth nations, but to strengthen the Secretary-General's conduct and refurbishment of the Commonwealth as an international organisation.

The reports

Each report has been known by the name of its chairman. Hence we have the McIntyre report (1977),¹² the Campbell report (1977),¹³ the Arndt report (1980),¹⁴ the Cairncross report (1982),¹⁵ the Akporode Clark report (1982),¹⁶ the Helleiner report (1983),¹⁷ and the Lever report (1984).¹⁸ In general, the reports have enjoyed a polite press; descriptive accounts of them have appeared in specialist journals;¹⁹ the Cairncross report was touted as sure to 'arouse considerable interest at the annual meetings of the World Bank and the IMF, as well as the next session of the UN General Assembly'²⁰ (as the Arndt report was also meant to do at the 1980 11th Special Session of the UN General

¹¹ *The Melbourne Declaration* (1981), paras 12, 16.

¹² *Towards a New International Economic Order*. London: Commonwealth Secretariat, 1977.

¹³ *The Common Fund*.

¹⁴ *The World Economic Crisis—a Commonwealth perspective*.

¹⁵ *Protectionism—Threat to International Order*.

¹⁶ *The North-South Dialogue—Making it Work*.

¹⁷ *Towards a New Bretton Woods*.

¹⁸ *The Debt Crisis and the World Economy*.

¹⁹ For example, Roy Laishley, 'How to recycle those OPEC dollars—Commonwealth report', *African Business* (London) 24 August 1980.

²⁰ Henry Murphy, 'Reality within sight', *The Guardian* (London) 19 August 1983.

Assembly—except that it was not made available in time); and some chairmen have undertaken their own publicity.²¹ The reports are known in development and international economic circles, and form part of the mass of briefing carried by negotiators and bureaucrats. Have they, however, any substance that makes the exercise of producing them a rewarding one?

The reports have had their own evolution. The first, the McIntyre report, was clearly conscious that it was breaking new Commonwealth ground, and went through two interim versions before its final publication. Since then, the production of reports has become more assured and deft, but their style has vacillated from those painted on a very broad canvas—examining ‘the world economic crisis’—to those dealing with reasonably specific issues such as protectionism, or a programme of reforms for the Bretton Woods institutions. The broader a report’s concern, the more it reads like a political brief; and, to a certain extent, all the reports have this characteristic—they denominate the arguments of a politically and economically liberal approach, without deeply elucidating these arguments or engaging opposing arguments. But the point here is that some reports are broader, less argumentative, and less likely to alter debate—because of not truly being *in* debate—than others.

A second evolution may be noted. When the process of commissioning these reports began in 1975, there was a genuine, if hopeful, clamour for a New International Economic Order. Seven years later, it was apparent to all that this crusade could not succeed. The approach of the 1982 Akporode Clark group is in startling contrast to the early assumptions that large-scale economic reform was possible. I wish to consider the Akporode Clark report more fully below.

The fact that the crusade for a New International Economic Order has been unsuccessful does not necessarily mean that the Commonwealth expert group reports have been unsuccessful with it. Much of what they raise can be used in the incremental negotiations recommended by Akporode Clark as a substitute for confrontationalist negotiations demanding across-the-board international economic changes. Even so, some of the more spectacular failures of the entire NIEO campaign, such as the search for a Common Fund—which the Third World sought so avidly at the 1979 UNCTAD in Manila, having conducted preliminary strategy meetings in Arusha, only to see its proposals distorted to the point of inversion at Geneva in 1980—have meant also the total disregard by North-Western nations of entire expert group reports, such as the Campbell report on the Common Fund. Campbell, as a consolation point, may have assisted Third World nations in defining the sort of Common Fund they sought—but they did not get it. The Commonwealth, moreover, is not a Third World organisation.

The lack of effectiveness of some reports is due not only to political factors,

²¹ eg Harold Lever, ‘The Debt won’t be paid’, *The New York Review of Books* 31(11) 28 June 1984.

Claude Cheysson, was quoted as saying 'The Group must be put to sleep, being unable to carry out faithfully its mandate.' The SWAPO President, Sam Nujoma, welcomed the decision, describing the group as 'paralysed by linkage'.⁷¹

Despite claims by remaining Contact Group members that it was somehow still functioning or in abeyance, the French withdrawal has effectively marked the end of its negotiating role. Thenceforth the British, West German and Canadian governments left it to the US Under-Secretary of State for African Affairs, Chester Crocker, to pursue attempts to achieve a Namibian settlement linked to a prior or parallel Cuban withdrawal from Angola. The UN Security Council decision against linkage, which Britain voted for but the US abstained from, in October 1983, was simply ignored by these two governments. The British position was more obscure than that of the US. The British Minister of State for African Affairs, Malcolm Rifkind, while refusing actually to endorse the linkage, nevertheless contrived to support the position of the US with the tortuous argument that while the ending of the Cuban presence was 'not, and never has been a precondition for a Namibian settlement', his government was of the opinion that 'we cannot ignore the political reality that the withdrawal of Cuban troops would create a better atmosphere for a wider settlement', an issue to which 'both the US and South Africa attach importance'. Margaret Thatcher was more forthright after Botha's visit. On 5 June she said bluntly in Parliament that Namibian independence 'will not occur until there is, in parallel, also the withdrawal of Cuban forces from Angola'.

Prospects for independence

After Botha's European tour, however, the joint US-SA strategy gradually began to unravel. SWAPO's delicate handling of questions arising from the Angolan-South African agreement in Lusaka, and its scrupulous refusal to comment on what it accepted as the domestic concern of the Angolan government, avoided any suggestion of a rift. Its participation in the Lusaka talks with the MPC and South Africa, at the invitation of Zambian President Kenneth Kaunda, and its emergence strengthened by the support it attracted from other internal Namibian parties, as well as its obvious flexibility in contrast to South African intransigence, left it with an enhanced reputation for reasonableness.

⁷¹ *The Times* (London) 7 December 1983.

identify issues peculiar to themselves or a small group, and to negotiate for incremental benefits on these issues. Perhaps particularly sympathetic Northern nations will seek to help, incrementally, certain Southern nations on certain issues. In this way, more progress will be made through what the two American academics call 'coalitions and alliances that cut across North-South lines' than in the present North-South dialogue.²⁴ They do not think the North will, in this way, seek to divide the South. There are, however, no guarantees in this matter.

Conclusion

The reports of the Commonwealth Groups of experts have helped to devise a Commonwealth more in keeping with the concerns of its majority membership; and which appears implicated, in detail, with these concerns. In this way they have helped a certain democratisation of the Commonwealth. Simultaneously, they have helped to develop the organisation from one with *ad hoc* concerns and agendas to one where the agenda is reasonably constant.

In organisational terms, they have helped to turn the Commonwealth from an inter-governmental body of a purely responsive sort, within the limited compass of its abilities at the disposal of its members, to something more fully representing an international organisation with its own deliberate, discernible, and at least partially executive character. In short, they have helped the Commonwealth become an international actor.

None of this is harmful. In fact, the entire drive behind this transformation has been frequently explained by the Secretary-General: it is because the Commonwealth, in its transformed persona, can contribute to international affairs at large; and its composition, of both North and South, can serve as a model to the wider international community.²⁵

Taken by themselves, however, the expert group reports have not succeeded in their ostensible purpose—to assist the international negotiating process, and to provide new varieties of thought which could be adopted by the negotiating parties and implemented. The effort has been brave, the results stimulating but marginal. The reports have strengthened the Commonwealth. They are not yet that organisation's contribution to international relations.

²⁴ *ibid.*, p. 389.

²⁵ Shridath Ramphal, 'Our and the world's advantage: the constructive Commonwealth', *International Affairs* 60(3) 1984.

Politics, Power and Revolution: An Introduction to Comparative Politics

Peter Calvert

Brighton, England: Harvester Press. 1983. 208pp. £18.95. £6.95pb

Revolution and International Politics

Peter Calvert

London: Frances Pinter. 1984. 222pp. £15.75

Professor Calvert of the University of Southampton is a prolific author with a particular reputation in Latin American studies, especially Mexico. These two books speak to the dual title of his chair: Comparative and International Politics; and both are informed by his knowledge of South and Central America. *Politics, Power and Revolution* offers a brief (174 pages of text) introduction to comparative politics (and governments) 'freely' based on lectures to second-year students but aimed at travellers, businessmen and diplomats as well as undergraduates. Although covering the ground of a textbook, Calvert is 'a good read'. The style is, as he says, discursive, though never diffuse; often entertaining and even to those inured to the subject-matter not infrequently percipient. As someone who never quite knows where to pitch lectures for those who are fresh (or jaded) from first-year studies but not yet driven by the fear of Finals, I regard Calvert's students as fortunate.

The book broadly follows a systems perspective but commendably devotes three chapters to analysis of threats to the maintenance of existing polities. Inevitably, the treatment whets the appetite rather than sates it. In particular, the treatment of revolution is cursory and a trifle idiosyncratic. Not many would agree that Chalmers Johnson is the 'most useful of the sociological taxonomies of revolution' (p 167); and puzzlingly there is no reference to Barrington Moore or Theda Skocpol. Overall there is a touch of blandness about the perspective whose normative origins in the optimism of structural functionalism come through clearly in the five concluding pages: from 'basic forms of government . . . there have grown up in a slow process of historical evolution those elaborate structures of government which today exist and are clearly continuing to evolve in new ways in fulfilment of needs not previously seen . . .' (p 173). I wish I could be so sure.

Revolution and International Politics, unusually, has no preface but the tone and style are so similar as to lead one to suppose it to be a companion volume, albeit the publisher is different. The book aims, 'to explore the nature of revolution in the context of international politics, and by doing so, to cast new light on the nature of international politics today.' In awareness of the semantic problems Calvert adopts a wide definition of revolution. I do not myself buy the notion that revolution is 'quite simply, the politics of violence' (p 199), but his canvas requires the broad brush. As with the previous book, the perspective is systems theory, and the method largely taxonomic. The scene is set with discussions of force in the international system, of wars of national liberation and 'the culture of violence'. Calvert then tackles the psychological and sociological explanations of leadership before discussing 'three forms of revolutionary action'—the coup (?), guerrilla warfare and urban insurrection. Throughout there is a wealth of illustration both historical and contemporary which gives texture as well as, on occasion, entertainment.

The remainder of the book reflects on what is to be done about cuckoos in the international nest: diplomacy and revolution; aid and intervention; and counter-insurgency. The (again) brief conclusion can be even more succinctly summarised: 'Don't panic; and make sure your government doesn't either.' Indeed but after the Falklands/Malvinas episode (on which Calvert has also written) I cannot be so sanguine as Professor Calvert about the rationality of Western leadership nor the enlightenment of democratic citizenry.

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Mountbatten: The Official Biography

Philip Ziegler

London: Collins. 1985. 786pp. £15.00

Rarely can an official biography have been written so free from taint of officialdom! The author tells us that to him the phrase meant that he had his cake in the form of unrestricted access to Mountbatten's personal archive and could eat it in the sense of consuming as much or little of it as he thought right. To both, the finished work bears testimony. Mountbatten kept everything irrespective of importance. Mr Ziegler placed on his desk a reminder that 'In spite of everything he was a great man'. He did not doubt this was so: he feared only lest the cumulative evidence of Mountbatten's preoccupation with the trivial might disturb the balance of his biographer's judgement. Mountbatten read little but relaxed by poring over the details of his genealogical tree (fittingly in part reproduced in the endpapers to the book) showing his descent from Charlemagne and his relationship to most of the royal houses of Europe.

Yet, as Mr Ziegler brings out so well, the traditionalist outlook one might infer was not there on matters of moment. On the contrary, once embarked on his career, Mountbatten inclined left, as even more so did his wife Edwina who brought with her in unusual association great wealth inherited from her father, Sir Ernest Cassel, and the humanitarian outlook of her great-grandfather, the Victorian reformist Earl of Shaftesbury. To Mountbatten, all the doors were open but when it came to conflict between naval career and counter-attractions, Mountbatten never hesitated. He was determined to succeed, the popular explanation of a resolve to redress the wrong done to his father when driven from the Admiralty in 1915 because of his Germanic origins, being, in Mr Ziegler's view, the right one; though one suspects being a younger son had also something to do with it. In World War II his gift for getting out of hazardous situations, into many of which he should never have entered, brought him a richly merited reputation for leadership and courage that bordered on the reckless. As Chief of Staff of Combined Operations, he was brought into touch with Americans with whom he got on well and that was a factor in his further dramatic advancement to Supreme Commander South-East Asia. This in its turn ushered in the years of the achievements by which he will be best, and would have most liked to be remembered, he himself recording a wish that if there were to be any memorial address at his funeral—the detail

of which he had planned with characteristic thoroughness—it should be devoted to his time in South and South East Asia.

The story of those years is arrestingly told in chapters that are a contribution to history. Among things that stand out is Mountbatten's freedom from racial prejudice. It was coupled with imaginative sensitivity. I believe his gesture in inviting Pandit Nehru, recently released from jail, and visiting Singapore as representative of the Indian National Congress, to ride with him in his car in what became a triumphal procession, may have changed the course of history. As the Indian Agent remarked: 'It showed the fine imaginative sensibility for which Lord Louis is so justly famous.' India followed, with the Nehru-Mountbatten friendship as a feature of the transfer period. There Mountbatten's critics were, as in South East Asia, to the right, with many members of the ICS unforgiving to a Viceroy who introduced a new approach and speeded up a process which they thought had already been unduly foreshortened by Attlee's statement of 20 February 1947. On this, historical debate will long continue. My own impression in the spring of 1947 was that delay would have invited even greater disaster. On allegations of Vice-regal influence on the *Boundary Award* or *Kashmir*, Mr Ziegler sets out fairly what he has been able to learn but for the rest exercises a wary restraint in judgement.

In subsequent years, Mountbatten achieved his naval ambitions, became Chief of the Defence Staff, protested at Suez (composing two letters of resignation, neither of which, however, he felt able to post) and while in retirement he attacked the idea of tactical nuclear weapons to stop an advancing enemy.

Mr Ziegler's biography is immensely readable. It is also a work of art, at times memorably felicitous in treatment and phrasing.

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Women, Men and the International Division of Labour

Edited by June Nash and Maria Patricia Fernandez-Kelly

Albany, NY: State University of New York Press. 1983. 461pp. \$49.50. \$14.95pb

In the past decade a number of studies have been made on the emergence of a 'new international division of labour', characterised primarily by the relocation of industries to the low-wage countries of the Third World and a subsequent rise in manufactured exports from these sites to the advanced capitalist countries. While there has been considerable debate over the attempts to analyse and predict the changing relations in the international division of labour (IDL), a factor mentioned only in passing is that these changes have primarily affected women workers in both hemispheres. The industries involved in this process, ie electronics, textiles, have been predominantly female intensive and the new production sites have drawn in a new labour force of young, often unmarried women. Numerous case studies on the world market factories in South and South East Asia and Latin America clearly reveal that the IDL is increasingly based on a sexual division of labour. However, what has been lacking in all

these studies (an exception is Elson and Pearson 1981) is the theorisation of why this phase of restructuring in the world economy is based on the specific exploitation of female labour and what implications this has for organisation and international solidarity.

This collection of papers is significant in that it takes precisely these focal questions and examines the ways in which the IDL has sharpened contradictions between men and women, minorities and dominant racial and ethnic groups in both hemispheres. The papers are grouped into four parts covering global accumulation and the labour process, production, reproduction and the household economy, migration trends; and case studies on electronics and textile factories in the US and the Third World.

On the basis of a comparative analysis of MNC production plants in the US and the Third World, the papers examine the effects of the IDL. Geographical imbalances and the dislocation of families and communities has led to the breakdown of cooperative community networks and the destruction of subsistence economies. Employment avenues have stimulated the movement of women into the border cities of Mexico as men are pushed back from the US (M P Fernandez-Kelly, J A Bustamante). Colombian garment workers migrate to the high-wage areas in Venezuela using ethnic identity networks to survive (M Berlin). The changing demand for male labourers in foreign corporations in Brazil has meant tremendous pressure on the agricultural estates and *barrios* as family options for residence, alternative employment for women and family size are affected (N Aguiar). The stress of all these changes is borne by the household as women struggle over reallocation of their labour between reproduction and production. A comparison of US and Brazilian garment-workers shows that while there are differences in family size, both groups of women put their domestic responsibilities first in the context of impending unemployment. The strictures imposed by the IMF in Jamaica forced Kingston women factory workers to adjust their reproductive and productive functions by including extended kin members to ensure the survival of their households (L Bolles).

The fuel for this phase of capital accumulation then, like that of early nineteenth-century industrialisation is provided by female labourers. The answer to the question of 'Why specifically female labour?' is often tautological—i.e. because women are cheap labour. The clue to the cheapness of female labour must be found by moving out from the sphere of visible production to the invisible private sphere of the family. It is only by linking the organisation of production processes and labour markets to the sexual division of labour that the predominantly female character of global manufacturing can be understood (Susan S Green). While the segmented labour market model introduced the dynamics of class into dual labour market theory, it is socialist feminist theory which has stressed that the social relations in the family unit (male dominance) have shaped the social valuation of female labour power. Women can be paid lower wages (below the value of labour power) as a consequence of the assumption of economic dependence on men. This valuation has no connection with the skill or productivity of women workers. It is thus the 'comparative disadvantage' of women, determined by patriarchal relations within the family, which gives them an 'advantage' in global manufacturing (L Lim). It follows then that the simple equation, employment equals emancipation for women, is inadequate unless patriarchal relations are confronted both within the family and the factory. This becomes crucial in the context of the resurgence of 'homeworking' in this phase of global accumulation. Katz and Kemnitzer and J A Alonso show the rise of

homeworking in Silicon Valley, California, and in the garment industry of Mexico. The existence of the 'diffused factory', far from being a pre-capitalist remnant, is part of the present restructuring of capital, based on the sexual division of labour and the ideology of the housewife.

The central theme of this collection is that the terms of the relationship between the First and the Third World have changed. The sharpening of sectoral differences within the labour force implies that the simple centre/periphery dichotomy (with a flow of accumulation towards the centre for the benefit of all in the First World) no longer holds water. Workers in the US are in direct competition with low-paid and often unorganised workers in the Third World today as there is increasingly unemployment (on both sides) and decreasing social welfare and workers' control over the workplace in the US. The national basis for industry-wide negotiations in the US has broken down, while unions continue to protect mainly the *primary* labour force. The secondary labour force is in fact harder hit by international trade than the *primary* labour force. (A problem unexplored in this connection is the implications of the new homeworking for union strategies based only on factory production).

In the Third World, on the other hand, export-led industrialisation has not created employment or higher wages except in the short run, while national policies guarantee 'tax holidays' and subsidies to attract foreign investment. This process is often accompanied by militarisation. And when this is combined with the foot-loose, impersonal MNC and its faceless corporate hierarchy it makes confrontation difficult.

The scenario presents a gloomy future of industrial stagnation and unemployment world-wide, ending with the unconvincing hope that the IDL will engender consciousness of class interest on an international scale (J Nash). Although, however, the editorial article gives the impression of a consistent framework, there are in fact *two* approaches running through the book.

An alternative to the approach sketched above is provided by R Snow and L Lim. Snow's article on the US workforce in the electronics industry shows that since offshore sourcing began, overall employment has increased though the composition of the workforce has changed. Production workers and women have lost jobs while immigrants have taken blue-collar jobs and displaced workers have moved into the service sector. Industrial restructuring has altered the composition of the workforce. Secondly, a certain percentage of manufacturing in electronics still remains within the US itself and therefore industrial work will continue to exist and expand. Linda Lim's paper links up the three structures that constitute the IDL, ie capitalism, imperialism and patriarchy. She argues, firstly, that manufacturing for export is not solely due to the presence of multinationals and, secondly, that wages can rise over time, working conditions improve, local linkages are generated and (unlike the early stages of labour-intensive manufacturing for export) there is, in some developing countries, the possibility of national capitalist development and an indigenous industrial class that lays the basis for industrialisation and capitalist growth.

The rest of the articles seem to support either one or the other of the two approaches presented in the thematic section. For instance, van der Mark shows the aftermath of footloose industrialisation in Curacao, where women lost their craft skills by working in electronics factories only to find themselves unemployed when the firms closed down. On the other hand, Hu Tai Li's analysis of small-scale industry in a Taiwanese rural community shows that family-owned auxiliary factories operating as suppliers of larger

export-oriented domestic factories or trading companies are a response both to the limitations of local agricultural production and the demands of the larger international economy.

While both approaches to the IDL make a break with dependency theory, they remain within the trap of circulationist and production-oriented theories which are either partial or misleading. Critics have pointed out that the world-systems approach fails to see the tendency of capitalism to expand through increasing relative surplus value, neglects technical innovation and demand conditions, and sees reduction of wages (hence, a cheap labour pool) as the only way of restoring the rate of profit. This is only one way and, in fact, low wages in the Third World do not necessarily mean a higher rate of profit (which depends on productivity). The IDL is thus limited to the model of the world market factory (electronics or textiles) in the free-trade zones while, in fact, export of capital is still predominantly between advanced capitalists. Production-orientated theories suffer from assuming a uniform and integrated process of capitalist development without going into the specific forms of surplus appropriation and local class struggle.

Different approaches have varying implications for organisation and international solidarity. Some of the articles analyse the contradictions that arise when women workers have organised in the world market factories, but there is no mention of attempts at building worker networks across plants of the same multinational corporation and producer-consumer networks which have emerged as possible strategies for action.

In spite of such shortcomings or ambiguities, this book is significant in that it stresses the international character of the accumulation process by a comparative analysis of industries in the First and Third World and it also shows the inadequacy of the notion of a 'homogenous working class' in the face of racial, ethnic and sexual divisions.

AMRITA CHHACHHI

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Third-World Diplomats in Dialogue with the First World: The New Diplomacy

Robert J Moore

London: Macmillan (in association with International Development Research Centre, Ottawa). 1985. 179pp £7.95pb.

Guyana's former High Commissioner of Canada has reflected upon his personal experience in order to prepare a sort of handbook for fellow Third World diplomats. It is the kind of book that leaves one eager to meet the author, having been captured by his wit, his sound judgment, and his commitment. In one sense it is an old-fashioned type of book about the craft of diplomacy, but Moore's notion of a 'new diplomacy' revised and reconceptualised to meet the needs of poor countries gives the work freshness and verve.

Foreign ministries should buy up the book and distribute it to their foreign-service officers. They will get all kinds of practical advice on how to throw a memorable diplomatic reception, how to cultivate the media, the voluntary associations, and the

universities in their host countries—all in the cause of promoting a New International Economic Order. For Moore, diplomacy remains the art of persuasion, but he formulates a modern brand of 'expository' diplomacy in which Third World representatives strive to create Northern constituencies sympathetic to Southern development.

Moore's goal is not to write a scholarly analysis of the North-South dialogue so much as a brief on behalf of a lean, vigorous, effective Third World diplomatic corps. He criticises, the aristocratic diplomatic tradition of 'competitive lavishness' in favour of a spare but dignified celebration of national culture. He offers numerous proposals by which to train and maintain a well-informed body of diplomatic officers whose substantive mastery of the issues is the best form of advocacy of Third World interests. Through this work, Moore shows himself to be an exemplar of the 'balance between burning conviction and dispassionate exposition' that are for him the Third World ambassador's highest credentials.

ROBERT A MORTIMER

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The Emerging International Economic Order: Dynamic Processes, Constraints and Opportunities

Edited by Harold K Jacobson and Susan Sidjanski

London: Sage Publications. 1982. 293pp. £19.50

The New International Economy

Edited by Harry Makler, Alberto Marinelli and Neil Smelser

London: Sage Publications. 1982. 336pp. £17.95

On first examination these two books seem very similar. They are both collections of articles about the international economy and its bearing upon the process of development. They both emerge from international conferences held in 1979. They both have the same publisher, appeared in the same year, and have almost identical textual formats. Moreover, the two books refer to roughly the same body of social-scientific literature, and contain about the same mixture of empirical and theoretical materials.

But, despite these similarities, the two books under review are really quite different in purpose and in content. The volume edited by Jacobson and Sidjanski (henceforth called *Emerging Order*) is sponsored by the International Political Science Association, and this disciplinary affiliation is evident in its construction. The themes unifying the articles contained in *Emerging Order* are (1) the decomposition of the global economic system which emerged from World War II - a system characterised by relatively free trade, specialisation of production among countries, and United States economic dominance --and, (2) efforts by Third World countries to improve their position in the international economy through pressure for a New International Economic Order

(NIEO). About half of the papers deal with organisational aspects of NIEO, and policy questions appear in almost every chapter.

The volume edited by Makler, Martinelli, and Smelser (subsequently called *New Economy*) has a different disciplinary affiliation, being sponsored by the International Sociological Association. It is somewhat less concerned with issues of formal organisation, concentrating instead upon problems raised by dependency theory. Many of the papers collected in *New Economy* discuss transnational corporations, and most of the authors seem at least moderately sympathetic with the ideas of dependency theory.

An edited collection of papers will almost inevitably be uneven in quality. I find papers presenting new empirical information more valuable than those exclusively concerned with conceptual or methodological matters.

Four papers in *Emerging Order* impress me as particularly useful. Robert Jordan considers the motivation behind NIEO and the nature of the NIEO demands. Although these demands have been reformist rather than revolutionary, the developed nations—and especially the United States—have been dubious if not resistant to them. Third World countries generally prefer multilateral assistance programmes, but, in reaction to the NIEO proposals, Britain, the United States, and West Germany are presently offering mainly bilateral assistance.

The politics of protectionism as it pertains to the US steel industry is examined in a paper by Robert Walters. As a matter of general principle American policymakers prefer free trade, but structural shifts in international production sometimes unleash strong pressures towards protectionism. Both industry and US government economists oppose an activist role for the state in economic affairs. Such opposition encourages protectionist policy as a means by which the state can deal with disadvantageous structural shifts without assuming an activist role. Lynn Mytelka considers a similar range of questions with respect to the French textile industry showing how, between 1945 and the present, big capital aided by the state consolidated its hold over French textiles. In the process, organised labour was denied any significant role in industrial planning. These changes would supposedly increase the efficiency of French textile production, but today the industry is still not competitive on the international market, and faces a rather uncertain future.

To my way of thinking, the most interesting paper in *Emerging Order* is Kuniko Inoguchi's analysis of Third World responses to OPEC. Although non-oil-exporting Third World countries were often economically injured by the 1973 OPEC price increases, they usually supported the OPEC price offensive because, in the larger scheme of things, it seemed a hopeful self-assertion by the South against the North. Inoguchi defines a variety of possible Third World responses to the oil price increases and, using regression analysis, studies the conditions determining each response type. For example, Third World countries severely disadvantaged under usual trade conditions and suffering a sharp increase in the cost of oil imports after 1973, were prone towards forming commodity cartels modelled after OPEC. On the other hand, Muslim countries with economic ties to OPEC members were likely to seek OPEC aid.

Turning our attention to *New Economy*, four papers therein deserve special attention. Volker Bornschier summarises a systematic programme of research on the new forms of dependency brought about by the spread of transnational corporations. Under these forms of dependency the core controls technology, innovation, and active capital while the periphery engages in routinised production. Multiple regression

analysis suggests that the penetration of Third World countries by transnational corporations diminishes subsequent economic growth while increasing income inequality. Paradoxically, restrictions on transnational corporations hinder short-run economic growth and thus tend to be unpopular even when they have a salutary effect upon long-range development.

The impact of transnational corporations on the state and class structure of Third World societies is discussed by Alberto Martinelli. Transnational corporations, he concludes, benefit from the combination of politically diverse nation-states and an integrated world market. They erode, at least to some extent, the sovereignty of nation-states, and they certainly weaken the position of labour, frequently setting one national labour movement against another. The transfer of technology by transnational corporations, to the extent that it occurs, has not lessened the gap between developed and underdeveloped countries.

Over the last fifteen years, private banks have provided an increasing share of the financial support received by Third World countries. Barbara Stallings examines the political consequences of transnational private finance in the Third World. Private bank loans divide the Third World by creating a group of peripheral countries willing to help the centre to moderate Third World protest. Banks also undermine progressive governments in the periphery—eg Allende in Chile, Velasco in Peru, Manley in Jamaica—while often supporting reactionary regimes—eg Pinochet in Chile, Mobutu in Zaïre, the military government in Brazil. While stressing the political significance of transnational finance, Stallings also emphasises the linkages between the latter and internal social classes, thus avoiding the tendency of some dependency theorists to interpret underdevelopment entirely as a consequence of external forces.

An interesting complement to Stallings' paper is Harry Makler's analysis of credit allocation in the Brazilian north-east. Makler finds significant empirical regularities in which entrepreneurs receive credit. For example, credit is generally extended to foreign-born managers of technically complex enterprises, but not to family-owned enterprises in dynamic sectors of the economy. Moreover, the main perpetrators of these social divisions in credit allocation are government banks.

The most important shortcoming of these two volumes is the absence of strong controversy within them. When dealing with issues of development and underdevelopment there is clearly opportunity for sharp difference of opinion, but such differences rarely surface in *Emerging Order* or *New Economy*. Most contributors seem to have a liberal or leftist position, and appear generally sympathetic to dependency theory analysis. Since this coincides with my own orientation it may seem an odd thing to complain about. Nevertheless, I believe that scientific understanding of underdevelopment (and dependency theory as well) would be better served by a larger dose of controversy than the editors of these volumes have chosen to include.

As noted at the outset, both *Emerging Order* and *New Economy* emerged from conferences, but their published form does not reflect the most constructive features of these origins: namely, dialogue, criticism, and the opportunity to exchange opinions. The value of these books would be increased by several orders of magnitude if each paper were followed by comments from other conference participants and a response by the author. Naturally, this would also increase the editorial work by several orders of magnitude, but the readership might also be extended.

The closest thing to controversy and dialogue in these volumes is the epilogue to *New*

Economy by the political scientist, Charles Lindblom. Reflecting upon the papers contained in that book, Lindblom questions whether capitalism is a suitable concept for analysing the international economic order, and recommends disaggregating the latter into the market system and the private enterprise system, the former being defined as a regime of mutual control and adjustment. He faults the contributors for failing to distinguish between capitalism and the market system, and for assuming that there exists an alternative to the international market system with participants other than nation states and corporations. No such alternative exists now or in the conceivable future, and this renders much of the criticism of the international economic system presented in *New Economy* (and also in *Emerging Order*) irrelevant.

I do not agree with Lindblom's point of view, but he is raising important and rather obvious issues, and these edited collections would be stronger had these issues been dealt with head-on, and continuously.

THOMAS F MAYER

University of Colorado

Third World Politics: An Introduction

Christopher Clapham

London: Croom Helm, 1985. 187pp. £6.95pb

It is scarcely surprising that the theoretical discourse associated with our comprehension of the dynamics of Third World politics has acquired the rigour and sophistication that we have witnessed over the past twenty years. Initial intellectual work on these states in the 1960s was abysmally poor: this was the age of 'modernisation theory' which projected an 'evolutionary' law of history to try to explain the underdeveloped character of these economies. The history of these states was implicitly denied, particularly the *objective* role they played in the development of global capitalism over the past 400 years. There was hardly any theoretical effort to examine the *acute* social differentiation which either existed here prior to colonisation or thereafter. In spite of this, proponents of 'modernisation' saw the role of the 'emerging elites' of these states as some benign officials consciously oriented towards developing their states from the 'drabness' of the 'traditional' society to the 'modern' (ie. industrialised/Westernised). The assumption that these elites would continue to embark on 'development' strategies that reinforced the dependence of their economies on those of the West was of course the ideological foundation on which 'modernisation' was erected. We had to wait for the historical materialist response to 'modernisation theory' to realise how fallacious most of its assumptions were.

Christopher Clapham, in this very important introduction to Third World politics, has avoided getting 'bogged-down' in assessing the contending paradigms of Third World underdevelopment. Instead, he poses the question: 'What does politics actually *do* for the people whose lives are shaped by it?' Before going on to answer in depth this question as it affects the various *forms* of the Third World state, Clapham asserts that 'Politics everywhere, in its essentials, is much the same. People do not greatly differ. They want security, wealth and the power through which to get them' (p 1). In the main,

the author feels that the record of the Third World state in offering its citizens physical security and the social opportunity to express their aspirations has been poor. One of the debilitating features of the leaderships of the state is to hold tenaciously to power, quite often as an enduring project.

What Clapham's pointed conclusion underlines, depressing as it may be, is that the struggle to confront intense social contradictions (caused by both *endogenous* and *exogenous* factors) in order to achieve justice for the people will continue to be a prominent feature in the future development of politics in the Third World.

HERBERT EKWF-I KWF

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Thinking about National Security: Defense and Foreign Policy in a Dangerous World

Harold Brown

Boulder, Colorado: Westview (Distributed in the UK by Bowker). 1983. 288pp. £14.75

When an articulate former US Secretary of Defense takes pen in hand and prepares a book about national security policy, curious laypersons and scholars are prone eagerly to anticipate the final product. Now that Harold Brown has completed his work a number of people will be disappointed with the outcome. Scholars will find little that is terribly original or provocative. No fresh insights emerge; no new information is presented; and no really novel policy options are advanced. Even those seeking an intimate memoir from an inside player on President Carter's team will find no juicy tales about policymaking or policymakers. For a man so deeply involved in the issues he explores, Brown remains remarkably aloof. His book, therefore, is neither a reservoir of keen insights nor a personal history of policymaking in the Carter years. This is not to say, however, that Brown's book is useless. Undergraduate college students enrolled in courses on United States foreign or defence policy, for example, can profit from Brown's effort.

The scope of the book is broad but shallow. Some of the topics covered in its sixteen chapters include Soviet-American relations, the strategic importance of energy resources, deterrence and strategic forces, the United States' interests in various regions of the world, and the organisation of the national defence policymaking apparatus. Brown ably reviews several of the key elements of United States policy in these areas. The examinations of military force postures, strategic planning, defence decisionmaking, and technological development are particularly strong. These short discussions will be helpful to those who seek a far-ranging survey. Professionals will in almost every case find them superficial. Furthermore, there are some glaring omissions in some sections. In an entire chapter devoted to the energy issue, for example, the major international oil companies are not mentioned at all. In the same chapter, Brown's list of cases in which control over the supply of oil has been used as a political lever does not include the use of the oil weapon by the United States against Great Britain and France during the 1956 Suez crisis.

It is regrettable that Brown chooses to devote so little time to commenting on policies

emerging in the Carter administration. For example, he only briefly describes the reasons for the decisions to proceed with the deployment of intermediate range and cruise missiles in Europe and the 'race track' basing scheme for the giant MX missile system. Brown, furthermore, does not use his book as an opportunity for candid self-criticism. His only hint of criticism of his or the Carter administration's actions is a statement that the affair in the summer of 1979 surrounding the Soviet combat brigade on Cuba may have been 'mishandled'.

In addition to spending little energy defending the Carter administration, Brown avoids a vigorous attack on his successors. His comments are largely focused upon the inadvisability of assuming that a feasible technical solution can be found to alleviate the threat of nuclear destruction. Clearly, Brown challenges the wisdom of President Reagan's zealous pursuit of either a land-based or space-based anti-ballistic missile defence system. Brown consistently demonstrates a preference for an enhanced deterrent posture rather than elaborate passive and active defence schemes as the best way to avoid a destructive nuclear exchange.

Despite these criticisms, however, the dominant impression which emerges from reading Brown's book and others is that for years American defence planners have agreed with each other much more than they have disagreed. The range of major differences has been fairly narrow. In thinking about foreign and defence policy since the end of World War II, American officials have been guided by the largely unchallenged assumptions that the United States must expand and protect its economic and strategic interests throughout the globe and that uncompromising military might is absolutely central to the attainment of these objectives. Perhaps, given the precarious condition of the world on the brink of nuclear catastrophe, those who have promulgated these views about national security should do some rethinking as well as some soul-searching.

PAUL WATANABE

University of Massachusetts at Boston

Gender Roles in Development Projects: A Case Book

Edited by Catherine Overholt, Mary B Anderson, Kathleen Cloud and James E Austin
West Hartford, Connecticut: Kumarian Press for the Harvard Institute for International Development. 1985. 220pp. np

As the editors of this very useful collection begin their introductory chapter, 'development planning has failed to recognise fully or systematically women's contribution to the development process or, in turn, the effect of the process on them'. They provide seven actual cases of the real-life challenges of development projects (in the Dominican Republic, India, Indonesia, Kenya, Peru, and Tanzania) on credit for small-scale entrepreneurs, community development, agriculture, and irrigation. Written largely for economist, technician, and development administrator audiences, the book is ideal both for training courses addressing planners and administrators and for academic courses on development.

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Each case, though written in a slightly different style by different authors, outlines a straightforward description of the country and project context and of project design and implementation; all cases contain data in appended figures and tables. The material on women is concise and unobtrusive, but it is always clear how attention to their work and needs would further project or development goals. Although many clues and questions are raised to the inquisitive reader, this Harvard-type case analysis is non-directive. It is up to instructors, group facilitators, students and/or trainees to identify problems and pose solutions. The dilemmas in each case are complex and thought-provoking. What recommendations will an interim evaluator make for a nutrition project linking credit to participants (unusual for putting credit directly into women's hands) when existing data indicate beneficiaries are mostly well-off women? How will a division bank manager answer questions about loans to women in rural enterprise, when few data were disaggregated by sex and staff seem unaware of the range of women's entrepreneurial activities? What procedures are necessary for an agricultural college which consistently over-admits male applicants and under-admits female applicants in a country where women predominate in farming? How can community development proceed in a context where the structure of gender inequality inhibits not only women's economic activities, but their very voice in the institutions designed to encourage people's participation?

Besides the cases, the editors provide an introductory chapter with an analytic framework along with three sector-based chapters on gender issues in agriculture, technology transfer, and small-scale enterprise which are solidly documented and supplemented with lots of practical charts. Those readers who seek a more directive approach to courses or training can turn to the publisher's reasonably priced case monographs on resettlement schemes, agricultural policy implementation, irrigation, agrarian reform, and male out-migration. Development training can sometimes be long-winded on theory and abstraction, but short on practice-oriented learning materials. Kumarian Press is to be commended for this valuable and practical case-study series.

KATHLEEN STAUDT

University of Texas at El Paso

Mozambique From Colonialism to Revolution, 1900-1982

Allen Isaacman and Barbara Isaacman

Boulder, Colorado: Westview, 1983. 235pp. np.

Allen and Barbara Isaacman have done an enormous amount over the years to break down the barriers of ignorance and deflate some of the myths about one of the least studied of the larger African countries, Mozambique. Allen Isaacman first produced, in 1973, a pioneering study of the Zambezi *prazo* system (1750-1902), illustrating how an initially European institution implanted following the early Portuguese incursions had become Africanised, to the extent that ironically, many of these were active in the fight to prevent 'effective' Portuguese colonisation at the end of the nineteenth century. This book helped to undermine the myth cultivated by Lisbon of a continuous five

hundred-year presence in the country. It was followed by a major study in collaboration with Barbara Isaacman on *The Tradition of Resistance in Mozambique*, which furnished evidence of a continuing historical struggle against foreign domination taking a variety of forms and on varying scales, from the social banditry of Mapondera to the major pan-ethnic Barué revolt which counted 15,000 men under arms.

From the beginning, the Isaacmans have been sympathetic and well-informed observers from within the United States of the unfolding Mozambican revolutionary process, intent upon communicating this experience in a straightforward narrative style to the uninitiated audience outside Africa. The current volume provides a readable introduction to the twentieth-century history of the country with a text well illustrated by maps, tables and photographs. Of particular interest is the chapter on popular opposition to colonial rule prior to the independence struggle building, as it does, upon the Isaacmans' earlier work.

The most difficult period for any historians to write about is always the contemporary one and particularly so in a volatile region such as Southern Africa, where much can change in a short period of time. The book was completed before the signing of the Nkomati Accord with the Republic of South Africa and the massive escalation of destabilisation engineered by South Africa both up to and following the signing of the Accord. The principal agent of destabilisation was the Mozambique National Resistance movement (MNR), founded by the Rhodesian intelligence service in 1976 and handed on to South Africa following Zimbabwe's independence in 1980. This coincided with the formation of the Southern African Development Coordination Conference (SADCC), uniting the five former front line states of Tanzania, Zambia, Botswana, Angola and Mozambique with Zimbabwe, Lesotho, Swaziland and Malawi, into a regional economic grouping committed to decrease economic dependence by mutual cooperation. As the Isaacmans point out, at a meeting in October 1980 between Dhlakama (an MNR leader) and Colonel Van Niekerk of the South African security forces, held at a military base in the Transvaal, Van Niekerk gave the order for changes in MNR operational priorities. These were to move from the centre to the south of the country, thereby discouraging Zimbabwe and Botswana from exporting their commodities through the southern Mozambican port of Maputo. The formation of SADCC with the subsequent foreign funding obtained for the rehabilitation of Mozambique's three major ports, created the opportunity for six of the seven British Commonwealth land-locked states to begin to direct their external trade away from South Africa, frequently along more economic routes.

In order to maintain its regional economic hegemony and thereby bolster its political power and chances for survival, the white minority regime was intent upon destroying the potential SADCC threat. The challenge was to the economic aspirations of all nine states, but there was no doubting which of these were to bear the heaviest costs—Mozambique and Angola, whose geographical location, offering alternative port and railway facilities, and independence of spirit with their avowed socialist development strategies, made them the obvious targets. The Isaacmans usefully examine some of these problems in a final chapter entitled 'Independent Mozambique in the wider world'. They also correctly emphasise that the Frelimo leadership in Mozambique has always been intent upon maintaining its own independence of thought and action, from Moscow or elsewhere, although as is now readily apparent, the room for manoeuvre is certainly decreasing.

In their appraisal of developments since independence, from 1975 to 1982, the authors draw upon the available statistical material, interviews with important national political actors and with people at the base, in addition to secondary and other sources. Of particular note is the emphasis they give to the situation of women, indeed, this is a characteristic of the book in its entirety and is very much to be welcomed, redressing a long-neglected but centrally important focus for scholars on Africa.

BARRY MUNSIOW

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Imperialism, Colonialism and Hunger: East and Central Africa

Edited by Robert I Rotberg

Lexington, Massachusetts: Lexington Books, 1983. 270pp. np

It would not overstate the case to say that hunger and starvation in Africa is one of the great intractable issues of our time. As Rotberg observes in his Introduction, the period since independence has seen a significant decline in Africa's ability to feed itself. Throughout the continent food production has declined per head and in many states has even declined in absolute terms. The result of less food for more mouths has been catastrophic in terms of human suffering and misery. Today not one country in the region covered in this book (Zambia, Malawi, Kenya, Tanzania, Uganda) can feed itself.

If part of the aim of this collection of essays is to examine the antecedents of the current crisis in the hope of better understanding it then this book cannot be considered a great success. What one has, for the most part, is a series of rather detailed monographs, perfectly respectable as pieces of individual scholarship, which never make the connecting leap to the wider problem. Indeed, in a few cases it would seem that some general statements about the contemporary patterns of food production have been loosely tacked on the end to make the papers relevant to the conference in Nairobi which produced this book.

Two exceptions to this are the essays by Bienen and Rimmer which are also the most broadly based. Inasmuch as they have a common theme it is one of scepticism with the proposition that current problems are to be explained solely or mainly by reference to imperialism and its effects on the region. As Rimmer points out, such a belief is based on rather dubious counterfactual hypotheses concerning what economic change would have taken place in the absence of colonialism. Whilst the evidence of other chapters does support the view that colonial rulers could (and should) have done more than they did to help African food production this in itself does not undermine Rimmer's main point.

Individual chapters in this book will be of interest to historians with special concerns in the region, but it is very unlikely that it will make a wider impact. One firm comment needs to be made. At the original conference nearly half the participants (listed in the book) were Africans and yet none of the papers published here is by African. It may be an embarrassing question, but one would like to know why.

JOHN A WISEMAN

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Palestine and the Palestinians 1876–1983

Pamela Ann Smith

London: Croom Helm. 1984. 279pp. £16.95

The emergence of the Palestinian resistance movement in response to the defeat of the Arab state system in the 1967 war with Israel has generated a reawakening of interest in the question of Palestine. Much of the literature of the 1970s focused on the rebirth and reaffirmation of Palestinian national identity, on the second chapter of the Arab nationalist movement and on the concept of armed struggle as a logical alternative to classical warfare. Pamela Smith discusses these issues in her history of the Palestinian people, but she goes beyond them to trace and analyse the social transformation of Palestinian society from the Ottoman period to the Israeli conquest. The crisis which, according to Eric Wolf, stimulates peasants to rise are all present in that transformation—the demographic, the ecological and the crises in power and authority. But a potential peasant revolution in Palestine was frustrated by overwhelming pressures—external and internal—which sapped national collective energies and led to social and psychological demoralisation.

The Ottoman land laws of the mid-nineteenth century made much of the communally held land a free-floating resource and contributed to the rise of private property and the concentration of wealth in the hands of landed families, resulting in an inevitable land alienation. By the 1920s and 1930s class differentiation was a visible phenomenon of Palestinian society.

Other Ottoman decrees known as the *Tanzimat* hastened the process of commercialisation of the land and urbanisation. By the end of the nineteenth century, Ottoman decline resulted in the transfer of whole sectors of economic activity to European interests. That process when Palestine was opened up to foreign trade and settlement resulted in a massive rise in the price of land, and the emergence not only of wealthy landlords but also of a new rural proletariat of landless tenants, sharecroppers and poor peasants. Zionist settlement aggravated the social cleavages by contributing to the proletarianisation of peasants and the enrichment of land speculators. The land-owning segment of the Palestinian leadership acted to ensure that the 1936 revolt did not threaten their vital interest by issuing an appeal urging that the strike be called off when the citrus crop was due to be harvested. Likewise, the urban leadership nipped in the bud a revolution in gestation by preventing the transformation of a futile non-violent struggle into an armed uprising.

Part two of the book extends the socio-economic analysis to the post-1948 period. Smith offers an original explanation of the relationship between the goal of Palestinian statehood in the West Bank and Gaza and the interests of the new bourgeoisie which made its fortune in the Gulf and in Lebanon. She also discusses the fragmentation of the Palestinian peasantry as a class, and she addresses the crucial question of how much class consciousness as such has reflected itself in the ideology of the PLO. She also shows how other factors such as place of origin, family ties, religion, age, education and the state of the Arab World have been determinants of political consciousness.

Pamela Smith's contribution to the growing literature on Palestine is important for its originality and its discussion of the question in terms of class and social transformation gives it distinction.

The book is based on extensive interviews with numerous Palestinians and it makes use of archival and other unpublished material.

NASIR H ARURI

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India and the Great Powers

Timothy George, Robert Litwak and Shahram Chubin

Aldershot, England: Gower for the International Institute for Strategic Studies, 1984. 242pp. np

This work is a part of a new series of regional security studies prepared under the auspices of the International Institute for Strategic Studies (IISS). The series reflects a recognition that regional issues, and regional perspectives about regional and world order issues, deserve attention in a pluralistic world. This recognition by an international centre of military analysis was overdue but still commendable. In the IISS's history, its analyses have been devoted mainly to East-West security questions and, even here, because the Russians are the bad boys, the Western slant unavoidable. Furthermore, Third World security questions are marginal to the security concerns of the USA and its allies in Europe, Northeast Asia and the Middle East, and they have been neglected in IISS's discourses. So it is refreshing to see the IISS dip its feet into the troubled North-South security agenda of the Indian subcontinent, the Gulf and the Indian Ocean.

This slim volume consists of three major essays by three competent observers of the scene. The book is a welcome addition to the growing literature on Southern Asian questions. The work concentrates on India's relationship with the great powers. The essay by George, a British diplomat who has served in Asia, deals with Sino-Indian relations. Litwak, a Harvard-based scholar writes on the place of the USSR in Indian security thinking. Chubin, who started his academic career under the shadow of the Shah of Iran and is now based in the Graduate Institute of International Studies, Geneva discusses the place of India in US foreign policy. All three are knowledgeable about US thinking and subcontinental developments. All the essays are informative. Chubin's essay is, in part, stylistically tedious and could have used the services of a good editor but this defect is more than adequately compensated for by the substance.

George's essay is sophisticated but not flawless. If, as he says, Sino-Indian relations have less content than Sino-Pakistan relations then why 'must [China in strategic matters] be of primary underlying importance to India.' (p 66)? He is of course, right that the margin to improve Sino-Indian relations is narrow and sensibly recommends that the West needs to be on good terms with both India and China.

Litwak stresses India's muted response to the USSR's actions in Afghanistan contrasts this with India's strong reaction to the US in Diego Garcia. Selectivity, inconsistency, is the normal practice in governmental communications and the policy depends on the internal motivations and assessments of national interests. But Litwak does not understand this; to him this reflects India's asymmetric relationship with superpowers (but its causes are not assessed) and this causes worry about the erosion

India's non-aligned status. The implication is that even though the geo-strategic realities as seen by Indian decisionmakers require asymmetry in Indian policy, India must still be even-handed because this suits the American purpose. The analysis on this point is impressionistic. India's non-alignment—especially the premises underlying that policy—was significantly eroded in 1962, and not after the Indian reaction to the Soviet intervention in Afghanistan, and the Third World's reaction to India's posture. Too much is made of outward diplomatic postures and tactics when motivations, and scope and limits of inter-state relations deserve study.

Chubin correctly notes that US interest in India was historically marginal. It was a 'sum of tactical expedients'. It oscillated between East-West and North-South regionalist concerns, but a number of new considerations, principally Afghanistan but also the link between the subcontinent and the Gulf and the nuclear issue, have increased US interest in India. Chubin's comments refer essentially to US thinking during the Carter and the Reagan administrations. There are no explanations of the origins of US policy and thinking about India. Although Afghanistan is a benchmark in Reagan's policy and to Chubin's analysis, the US interest and motivation in challenging Soviet power in Afghanistan is not explained. One is left with the uncomfortable feeling that the 'new considerations' are also temporary tactical expedients. With a new administration in Washington there may be a new agenda, and a new IISS analysis. A central question is whether there is a stable 'South Asia' constituency in the Washington area, and if so where is it?

These essays do not break new ground for academic and government practitioners but they capture the mood and they provide a picture of the complexities of subcontinental relations and great powers' interests. This by itself is a significant feat. But the gaps in the scope of the work should be noted: first, the place of India in US foreign policy is discussed but there is no systematic discussion of the place of India—and indeed of Soviet strategy towards Iran, Afghanistan and Pakistan and the Gulf region—in Soviet foreign policy. This is necessary if the asymmetrical nature and context of the Soviet and the American connections in Indian strategic thinking are to be understood; second, Soviet motivations and debates within the Soviet establishment which led to the December 1979 invasion are not discussed. There is a strange silence about the chronology and the general interplay between the domestic and the external environment which culminated in the Soviet intervention; and third, if the central concern is with Soviet expansionism then surely the benchmarks ought to be Soviet actions in Ethiopia or Angola or Mozambique or Aden rather than simply Afghanistan.

ASHOK KAPUR

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The PLO: The Rise and Fall of the Palestine Liberation Movement

Jillian Becker

London: Weidenfeld and Nicholson. 1984. 303pp. £12.50

In spite of its grandiose claims of setting history right, this book has shown Jillian Becker's deplorable lack of judgement. Even before one opens the book's cover, the very

title determines that the PLO has fallen. This, perhaps, indicates to the reader that the author is engaging in 'wishful thinking' as much as it indicates her bias. In this book, Jillian Becker sets out to show that since its inception, the PLO 'had been nothing but a savage instrument of Arab politics', and that its 'business was to keep [the Palestinians] in misery and to waste their lives, generation after generation.'

Throughout the book, the author's accounts of the Mandate period, the wars of 1948, 1967, 1973 and 1982, and the developments since the founding of the PLO take a clear anti-Palestinian and pro-Israeli line. Every war was instigated by the Palestinians and/or Arabs. Every massacre was committed by the Palestinians and/or Arabs and always against innocent Israelis and/or Westerners. Even the media, in the author's opinion, has misrepresented the 'culprits' (the Palestinians) as the 'victims'. In reading this book, one gets the feeling that there is a global (including Western) conspiracy to portray Israel as the aggressor in the Middle East! Even more outrageous is her claim that the Palestinians themselves created the Palestinian refugee problem.

Because it is impossible in this brief review to deal with every point the author raises, it may be sufficient to remind her and her readers to read the diary of Mr Joseph Weitz, former head of the Jewish Agency's Colonisation Department. In 1940, Mr Weitz wrote:

Between ourselves it must be clear that there is no room for both Arabs and Jews in this country [Palestine] . . . We shall not achieve our goal of being independent people with the Arabs . . . And there is but to transfer all of them: not one village, not one tribe should be left . . . there is no other way out.

JAMAL R NASSAR

Illinois State University

The Prophet and Pharaoh: Muslim Extremism in Egypt

Gilles Kepel

London: Al Saqi Books. 260pp. £5.95

Egypt's liberal and secular tendencies are deeply rooted in her historical and intellectual developments. The works of contemporary writers such as Tawfiq al-Hakim, Yusif Idris and Khalid Muhammad Khalid further reveal that the critical intellectual tradition persists despite many odds. There is also the irrational and anti-intellectual tradition of Egypt, the unseemly side against which sensible people recoil with horror. The crushing poverty, the inhabited cemeteries, the crowded buses and the despair born out of subhuman existence give rise to millennial visions as well as to paroxysms of hate and violence. This aspect of Egypt has found an exportable commodity in the guise of Islamic militancy.

The critical and questioning tradition exists alongside the desperate attempts to provide all the answers to the troublesome aspects of life. They are locked together in a long and bitter struggle. To present one and ignore the other is a prescription for doing violence to one's own sense of objectivity and balance. Worse still, to see the social world through the eyes of texts or to examine behavioural traits without their causes is a sure way of either exaggerating the phenomenon or making it look absurd.

The absurdity revealed in *The Prophet and Pharaoh* is largely the result of the author's selection of texts written in the majority of cases by obscure and insignificant figures—individuals from the fringe of Egyptian society who emerged on the political scene quite suddenly only to vanish from sight leaving behind no traces of abiding value. Most of these individuals received education in anything but Islamic theology or jurisprudence, including Sayyid Quth whose work *Signposts* receives more attention than it deserves. The author goes further by quoting from literature meant for children and from leaflets intended for students. All these would have been regarded as legitimate had the author recognised the limits of such an inquiry. The fact that he did not is apparent in his extrapolation from this dubious literature to pass intemperate judgement on Egyptian society as a whole, while expressing the disappointment that the literature lacked programmatic and theoretical bases.

The absurdity is highlighted further by the literal translation of texts rather than exposing the meaning behind the words. This is a serious limitation for an author interpreting texts written in a language which easily lends itself to pun and hyperbole in order to produce the maximum effects on its audience. However, the author misses the intended meaning not only because of unfamiliarity with Arabic, but also because of lack of understanding of the objective conditions. Had he been sensitive to both, he would have found the mixing of the sacred and the profane and the substitution of the ridiculous for the sublime less confusing and hardly a cause for derision. As for example, Quth draws the distinction between *ibada* (worship) and *ubudiyya* (enslavement)—a play on words which the author misses (pp 47–8)—to distinguish the sacred from the profane and to show that political illegitimacy lies in their intermixture by the temporal authority. Kishk intended to convey the same message in his sermon whose exaggerated tone seems to have fascinated the author as evident in his rather unnecessarily long quotation.

The author is also ambivalent about the place of the Islamic militants in the Egyptian social and political orders. At times he exaggerates their power and political impact. For example, he points out that a crackdown on the militants in 1980 would have been suicidal, and that they exercised at a particular moment in history 'a remarkable power of attraction on an entire section of the dominated layers of society.' (p 232) However, he is closer to the truth when he examines the power of the state and its capacity to deal effectively with the militant challenge. As he himself points out, the Islamic groups failed 'to grasp that the Egyptian masses did not feel allegiance to the Umma in the mythical form resuscitated by the Islamicist movement, and that this population had not radically broken with the values of the Egyptian nation as such, values of which Islam is the most important, but not the sole, component.' (p 237).

The scholarly value of the book is further reduced by the absence of proper documentation and references to facts and opinions. Without these one may question the authenticity of some of the quoted texts.

HAMIED ANSARI

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Small Wars You May Have Missed

Andrew Graham-Yooll

London: Junction Books. 1983. 293pp. np

Sovereignty in Dispute: The Falklands/Malvinas, 1493–1982

Fritz L Hoffmann and Olga Mingo Hoffmann

Boulder, Colorado: Westview (Distributed in the UK by Bowker). 1984. 194pp. np

Small Wars You May Have Missed is a delightful book which can be read for entertainment as well as for instruction, but its underlying serious purpose is to present a general overview of war and foreign intervention in Latin America with special attention paid to the imperial role of the United Kingdom. As Graham-Yooll says, the British had on the whole rather tended to forget that role until the Falklands crisis of 1982 brought it home to them in the most abrupt way possible. The author, born in Argentina and now a journalist living in London, is on the whole content to present facts rather than to criticise. Only once does he engage in speculation (justly and fairly labelled as such), when he suggests that the massacre of 'native Indians' in Argentina could have been the result of pressure from Europe, in particular Britain. Since no substantial evidence is presented, the speculation seems rather unnecessary. The rest is the story, largely drawn from British newspaper sources and previously unpublished correspondence, of a century of turbulence, in which gunboat diplomacy was normal behaviour both for the Great Powers and for the small ones who asserted their new independence by following the example of their superiors. Since the reviewer enjoyed the book very much, he feels bound to add that Britain's last use of nineteenth-century gunboat diplomacy in the Western Hemisphere was not in the Venezuelan blockade of 1903, but in 1913 in order to force the Guatemalan government of Estrada Cabrera to settle the question of its national debt; an action which, incidentally, played a key role in converting the then United States government to the idea of armed intervention as a method of teaching Latin Americans 'to elect good men'.

As Graham-Yooll points out, the early history of the Falklands/Malvinas continues to be all too relevant to the current debate on their future, and it is a thousand pities that the question of their status was not settled in the nineteenth century. Since 1954 Argentina has sought to have their future treated as an issue of decolonisation, for which the question of previous status and history would, according to the United Nations General Assembly, be irrelevant. Yet ironically, to avoid the implication that decolonisation for these islands would—as it normally does for other territories—take the form of independence, Argentine spokesmen still have to use historical arguments to try to prove that they have some claim to them. A full study of the historical record by uncommitted third parties would have been, therefore, very useful to those who try to read what the record actually said.

Since *Sovereignty in Dispute* was published, Professor Fritz Hoffmann, formerly of the University of Colorado, has, sadly, died, but Mrs Hoffmann, who is Uruguayan by birth, has continued their joint work. This book is an historical study of the islands, their relations in turn with Spain, Britain and Argentina, and the role of the United States in the dispute. It deals only briefly with the Falklands War, but carries the story down to the resolution of the General Assembly of the United Nations in November 1982. It is a

well-informed book, and a British reader will find much here about the Argentine grounds for claiming the Malvinas which may come as a surprise. It is equally fair to say, unfortunately, that it is by no means a complete account, as a number of points favourable to the British side seem to have been overlooked. To take but one example, South Georgia was never Spanish territory (it lies on the Portuguese side of the line of demarcation of 1494), it was first claimed by Captain Cook, it was first occupied by Britain, and hence never has belonged to Argentina (cf p 95); the 'workers' landed there in 1982 were Argentine naval personnel (cf p 156), and Britain had a perfect right to oppose their entry. Perhaps, despite the enormous advance in historiography in recent years, no one can write the definitive history of the rival claims just yet. If so, it is not hard to explain how, after such a costly war, the Falklands themselves remain in dispute.

PETER CALVERT

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Latin American Nations in World Politics

Edited by Heraldo Muñoz and Joseph S Tulchin

Boulder, Colorado: Westview, 1985. 278pp. £33.50. £15.00pb.

Latin America, with so much in common in the way of language, culture and legal tradition, offers a uniquely valuable opportunity for the comparative study of international relations. International relations as a discipline, however, has been moulded primarily by the experience of the Great Powers. It is still with their foreign policies that it has most to do, and those of the Latin American states, despite more than a century and a half of experience, are most unevenly studied; indeed, we should know little that is systematic about them in any respect if it were not for the work of scholars in the United States. Yet studies of United States relations with Latin America have inevitably been of much more value in elucidating that country's policy towards individual Latin American states than Latin American states' policies towards the United States.

The present volume seeks to make a new start. Its purpose is to bring together a number of scholars to study the foreign policies of major Latin American states within a comparative context, and thus make a substantial contribution both to our knowledge of the area and to the study of international relations.

It opens with a useful survey article by Alberto van Klaveren, 'The analysis of Latin American foreign policies: theoretical perspectives'. By dating the 'first wave' of scholarly studies of Latin American foreign policies to the 1970s, he draws attention to the uneven quality of what is available, and in his later discussion he gives us some clues as to why this is the case. To begin with, primacy of place has gone to systemic studies of foreign policy which see it as the product of adverse international factors. Dependency theory, its most characteristically Latin American contribution, relates these so as to explain the failure of national development in Latin America 'in the light of the historical insertion of the region into the capitalist world system' (p 7). Secondly, as Jorge Domínguez has shown, the literature is dominated by the popular 'strategic' perspective, 'characterized by its strategic, rational, and calculating orientation, by its rational and unified state actor assumption, and by its stress on international conflict'

(p 5). Geopolitics, which whatever its standing elsewhere, is alive and kicking in Latin America (particularly, but by no means exclusively, among the military) is theoretically confused and unsound. Internal factors have been neglected as sources of foreign policy behaviour, and this stems not merely from the difficulties of identifying them, but from the dearth of detailed case studies, even on specific foreign policy issues. The bureaucratic politics perspective has never been popular with Latin Americanists, in spite of (or because of?) the obvious importance of bureaucratic structures and modes of thought in Latin America; an exception was the study of Cuban foreign policy by Edward Gonzalez.

Kenneth M Coleman approves and endorses van Klaveren's four concluding recommendations:

1. the elaboration of conceptual frameworks that would facilitate theoretically grounded studies employing multicausal explanations;
2. the use of methodologies that are more explicitly comparative;
3. the use of sectoral analyses of foreign policy or analyses distinguishing between dimensions of foreign policy action that differ from each other; and,
4. the introduction of greater clarity about what it is precisely that one purports to explain or about "which dimensions of the external behavior of Latin America" are to be examined' (p 23).

There seems to be no doubt about the significance of bureaucratic tradition in Brazilian foreign policy; it is this element above all that Alexandre de S C Barros stresses in his succinct appraisal, and it is significant that he can demonstrate a high degree of continuity in policymaking before and after 1964. In his study of 'Policy, bureaucracy and foreign policy in Chile' (Chile historically has one of the best foreign services in Latin America), Manfred Wilhelmy attributes far more significance to the president, and hence to the disjunction of policy in 1973, and more surprisingly dismisses the bureaucratic politics approach as 'an analytical tool that responds basically to the particularities of the United States and Western European reality' (p 45). Wolf Grabendorff's useful study of the role of regional powers in Central America focuses on what he terms 'the community of interests and the diversity of objectives' of the Contadora states, one of which—Venezuela—is also the subject of Anthony Maingot's study of changing perceptions of the Caribbean by three states, and John D Martz's study of the role of political parties in Venezuelan foreign policy formation. The international policy of the Chilean socialist party is the subject of Heraldo Muñoz's own contribution; he sees it as balanced midway between populism and doctrinaire socialism, while policymaking by an authoritarian regime is not only the subject of Joseph S Tulchin's study of Argentina, but also of Carlos Moneta's thoughtful appraisal of the consequences of the Falklands/Malvinas War. The latter, however, is also a study of policy before and after a disjunction, as is Monica Hirst's study of Brazil and Helan Jaworski C's study of the 1968–80 military government in Peru.

It is far to say that this book is neither as developed theoretically nor as comparative in its treatment as its editors intended. Nonetheless, it is necessary reading for anyone wanting to undertake serious study of recent Latin American foreign policy making, and a welcome addition to the literature available to those who study foreign policies of Third World states.

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Development and Crisis in Brazil, 1930-1983

Luiz Bresser Pereira

Boulder, Colorado: Westview, 1984. 241pp. £11.75

Already 1985 has proved to be a critical year for Brazil. After twenty-one years of authoritarian military rule, the country is engaged upon the painful task of re-establishing representative government and attempting to create democratic institutions in the face of profound social problems engendered by economic crisis and enhanced popular expectations. For Professor Bresser Pereira, present developments spring directly from the events of 1983, notably the extensive riots which occurred in the city of São Paulo during March of that year, a few weeks after opposition governors took office in almost half of the country's twenty-two states. These massive protests against rising unemployment, the escalating cost of living and the sharp inequities that characterised Brazilian society were the most violent form of popular public action to have taken place since the military *coup* of 1964. In charting socio-economic and institutional changes since 1930, Bresser Pereira has not only coined a new phrase to describe the present situation ('mature industrialized underdevelopment') but has attempted to explain both the political significance of the revolutions of 1930 and 1964, and also to identify the shifting class composition of Brazilian society that led inexorably from those revolutions to 1983 and 1985.

Contrary to much recent revisionist writing, the author stresses the primacy of 1930 as a watershed in Brazilian development. Vargas' rise to power following the inter-war depression marked the country's transformation from an agrarian-mercantile society to a capitalist, industrial order. The institutions and political forces which coalesced during the 1930s were later responsible for rapid industrial expansion and the specific character of capitalism in Brazil. The events of 1930 signalled a rupture between an emergent industrial entrepreneur group of immigrant origin, and the coffee/merchant oligarchy. This division within the ranks of the dominant sector facilitated the construction of a pro-industry populist pact—an unstable alliance of business, policymakers and various urban groups—which was the *leitmotiv* of politics until its collapse in 1964 and which was only gradually and hesitantly reconstructed after 1978. The Brazilian historical process of the last fifty years is thus the story of attempts by two groups to secure their place in society, namely the middle classes who accomplished this task between the 1930s and 1950s and the working class whose search for an authentic representation emerged during and after the 1960s. The rapid—albeit unequal—consolidation of these classes is acutely observed from 1930 until 1961 as is the consequent contradiction manifest in social conflict between the late 1950s and 1967. From the crises of the 1960s—characterised by increasing economic instability, inflation, falling real wages of the emergent urbanised industrial workforce, social decomposition and the collapse of semi-representative political institutions—evolved an ascendant industrialism. If the immediate post-1964 administration was essentially anti-industry, an enhanced representation of manufacturing interests in the post-1968 techno-bureaucratic-military regimes ensured rapid industrial growth founded upon consumerism and a skewed pattern of income distribution. But the inevitable contradictions of this 'economic miracle' created an opportunity for the reconstitution of the populist pact, or rather a more mature manifestation of Brazil's historic compromise. Re-democratisation is a

direct, though not necessarily an anticipated, consequence of state policy which established industrialisation as its prime objective, a process that resulted in renewed bourgeois pressure for an opening of the political system after 1977 and which sustained an organised urban workforce able to articulate demands for basic institutional reform. These internal pressures, although subsequently enhanced by external shocks, were responsible for a return to democracy in 1985, a signal victory for civil society.

This plausible, if occasionally simplistic analysis of the forces which shape and continue to determine the evolution of contemporary Brazil is not entirely original, nor is it lacking in contradiction. At times the narrative is dated. Given that various sections of the book were written at different times, this is hardly unexpected. Paradoxically, these idiosyncrasies add conviction to Professor Bresser Pereira's interpretation. The translation of *Development and Crisis* into English is to be welcomed not only because the Portuguese version has run through several editions and has been well received in Brazil, but principally because the study charts the intellectual peregrinations of a respected academic, prolific economic journalist, successful businessman and, now, influential political figure. The author is not a detached observer of the process explored, but has experienced and sought to influence the course of events described. In this respect the analysis if eclectic is perceptive, socially aware and cautiously optimistic and for these reasons must be applauded.

COLIN M LEWIS

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The Economy of Barbados 1946-1980

Edited by D Worrell

Bridgetown, Barbados: Central Bank of Barbados, 1982. 199pp. np

The Barbados Central Bank is to be congratulated for breaking new ground in the English-speaking Caribbean. Annual reports, quarterly economic bulletins etc, are now standard features of central banks in the Caribbean, but extended monographs on economic development issues such as the one Worrell and his colleagues of the Research Department of the Central Bank of Barbados have attempted to put together are of recent vintage. The publication owes its origins to the tenth anniversary of the Central Bank rather than to the promotion of 'knowledge for its own sake', so to speak. Nevertheless, the point is still made.

Six chapters of uneven quality make up the book and there is long-windedness in most of them. Worrell provides a descriptive survey of the Barbadian economy between 1946 and 1980 in the first chapter. The terrain is wide indeed covering growth and sectoral shifts, balance of payments, investment, finance, employment, and prices. The treatment is quite cursory what is perhaps a trade-off between width and depth. Cox follows with a look at the manufacturing sector. We are told that 'the growth of the manufacturing sector in the post-war economy was below the average growth in real output; the labour force participation rate in the sector also rose more slowly than the national average'. The impetus to growth in this sector came from exports, so that import-substitution industrialisation was a drag on the economy. Haynes, in the next

chapter, on sugar and the Barbadian economy 1947-80, indicates that the period 'witnessed a relative decline in sugar to the economy when measured in terms of output, employment, and foreign exchange.' This was partly due to attempts at economic diversification, and problems affecting the viability of domestic sugar, namely production costs on one hand, and international prices on the other. There is no discussion of how Barbados, a one-time technological leader in high-yielding varieties of cane, came to lose its technological cutting edge, and how this, among other considerations, could have affected the cost curve of its sugar. Phillips, in chapter 4, looks at the development of the tourist industry in Barbados between 1946 and 1980. He notes that the 'shift away from full service accommodation towards apartments permitted a rapid expansion in arrivals but reduced the expenditure creating potential of the industry and generated lower levels of gross expenditure'. There is no economic analysis of the macro-economic impact of tourism, and the subject of social costs of the industry lacks substance. Braithwaite and Codrington, looking at the external sector of Barbados, 1946-80, argue that export promotion must be a vital part of future development strategy. Unfortunately, there is no discussion on problems of market access to developed countries, the scope of the Caribbean Basin Initiative and the Lomé Convention in facilitating this; possible product groups with a comparative advantage suited for international competition; the role of transnational firms in production, marketing, and distribution of goods world-wide for Barbados, as well as problems likely to be associated with this. The last chapter provides a select bibliography on the Barbados economy by Williams and Payne, but this subject does not really fall into place, given the nature of the previous chapters. It can be best regarded as an Appendix.

The book provides no prior historical background of the Barbados economy as a basis for the 1946-80 discussions so that one inevitably confronts a historical void on embarking on the introductory chapter. There is hardly any discussion of burning issues such as growth and equity, problems of domestic food supply, the role of markets in the Barbados development strategy, the international economic crisis and the economy, and aspects of rural development. There is a marked absence of serious discussion on policy alternatives to problems discussed. And, with the exception of Cox's contribution, comparative analyses with similarly open economies elsewhere in the developing world, are absent. Worrell and his colleagues should nevertheless be congratulated for their attempt to bring relevant and hard-to-find data to bear on the workings of the Barbadian economy so that a better understanding of problems of development and change in a small economy is made available to social scientists.

FRANK LONG
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JOURNAL OF SOCIAL DEVELOPMENT IN AFRICA

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The journal will publish critical analysis of social development issues as they affect the poor and marginalised in society. It deals with concerns especially but not exclusively relevant to Southern Africa, and is addressed to development practitioners, social workers, planners and policy makers, academics in a variety of fields such as economics, geography, politics, sociology, psychology, social administration and to other concerned individuals.

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of women in social development
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S. Aggar

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Israeli terrorism in the West Bank and Gaza: the pariah as poacher

The West Bank and Gaza are ruled by a complex mosaic of laws; there is one law for Israeli settlers who are in illegal occupation of the land, and another for the Palestinians whose country it is. The West Bank Data Project Report, also known as the Benevenisti Report after the former Deputy Mayor of Jerusalem who headed the project, shows that outright expropriations and land use restrictions have given Israel effective control of 52 per cent of the West Bank; that is enough territory to support as many as one million settlers. The study described how Israeli policies have created a dual system largely for the benefit of the Israelis, leaving the Palestinians isolated in a 'patchwork of hostile regions, alienated and severed' from each other and creating 'two spatially segregated regions, ethnically divided, separate and unequal'. Classic apartheid.

Although this injustice has continued for almost two decades, the international community has been powerless to protect the Palestinians, even to the extent of making Israel acknowledge the applicability of the Geneva Conventions to the Occupied Territories. Israel protests loudly about its pariah status among nations but it has not accommodated adverse international opinion by allowing access to the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories.

In February 1985 the United Nations Commission for Human Rights condemned Israel for violating human rights in occupied Arab territories and urged the UN Security Council to impose sanctions on Israel. The United States and Britain voted against the resolution with the Western European countries abstaining. The Commission's most important statement was the reaffirmation that occupation itself constitutes a fundamental violation of the human rights of the Palestinians.

The Human Rights Commission assailed Israel's settlement policy and the confiscation and demolition of Arab property, large-scale arrests, ill-treatment of the Arab population and torture of Arab prisoners. The Commission described Israel's breaches of the 1949 Geneva Convention on the Protection of Civilians in Time of War as 'war crimes and an affront to humanity'. It also condemned the

'terrorist actions perpetrated against the Palestinian inhabitants of the Occupied Territories by Jewish gangs, led by Rabbi Meir Kahane, member of the Knesset, and the racist Rabbi Moshe Levinger, the leader of the Gush Emunim gang, and other racist Zionists.' The arming of settlers in the Occupied Territories had led to acts of violence against Arab civilians, as well as wide-scale damage to Arab property.

Israel is embarrassed by the emergence of and support for Rabbi Meir Kahane's openly racist and terrorist Kach party at a time when it is lobbying to reverse the United Nations resolution equating Zionism with racism. Kahane is not, as the Israelis would have us believe, an aberration or the lunatic fringe of Israeli politics. The settler mentality, which is basically the belief that the Occupied Territories are part of 'Greater Israel', is at the very nerve centre of Israeli politics. Likud is clearly opposed to a 'land for peace' deal but the Labour Party would not invite political unpopularity by jeopardising the settlements programme.

Kahane's own contention is 'I only say what many of you are thinking.' He believes in a 'pure Jewish state', to achieve which he advocates the expulsion of all Palestinian Arabs from the West Bank and Gaza. The Human Rights Commission was alarmed by this so-called 'Homeland' doctrine which envisaged a mono-religious Jewish state in the Occupied Territories. The policy not only denies the right to self-determination of the people of the West Bank and Gaza but is also the source of the continuing and systematic violation of human rights which they suffer.

Israel professes not to foreclose any options leading to a negotiated settlement but it has taken decisive steps to ensure that the economic, social and physical effects of its military occupation of the West Bank and Gaza are irreversible. The exponential growth of Jewish settlements and the aggressive behaviour of the settlers is proof of that. In 1947 the Jews possessed less than 10 per cent of the total land of the mandated territory of Palestine; by 1985, the Arabs had been left in possession of only 15 per cent of that land. The settlers have begun encroaching on densely-packed Arab areas to fulfil the basic doctrine of the Gush Emunim: that Jews have the right to settle, not just in open country but in the heart of Arab towns, and thus to replace their Arab inhabitants. The inevitable result was the violence and counter-violence that followed the Hebron casbah episode when seven right-wing members of the Knesset occupied a flat in Hebron in order to encourage more Jewish settlement there.

Is it realistic to expect that the Israelis will support a 'land for peace' deal? In November 1985 the Council of Jewish Settlers in Judea, Samaria and Gaza put out a statement threatening violent opposition if the government gave up occupied territory in return for a peace treaty with Jordan. The settlers threatened to carry out 'widespread underground activity' and an 'armed uprising in Judea, Samaria and Gaza' if even partial sovereignty was ceded over Jerusalem or the Golan Heights. The Settlers' Council pledged defiance of the government's restrictions on Jewish residence in Hebron and other West Bank towns. They declared that any plans for sharing security in the West Bank with Jordan or halting Jewish settlements were 'illegal' and violated 'the Law of Return, the laws annexing Jerusalem and the Golan Heights and, above all, the basic constitution which states as its objective immigration, settlement and sovereignty over the entire Land of Israel'.

It is not just the 45,000 Jews who have settled in the Occupied Territories who are concerned that they might be called upon to withdraw from some of their settlements if there was a peace arrangement with Jordan following the new Middle East peace initiative to which Israel, Jordan and the US are a party. The Israeli government knows that large-scale Jewish ownership of land will be a useful lever in any negotiations with Jordan and that is why both Likud and the Labour Party have systematically set about 'judaising' Palestinian land. The fraudulent acquisition of land has been accomplished through force and compulsion and the connivance of Israeli officials. Several ministries, including Defence, Agriculture and Housing, were implicated in such land deals in the West Bank under the Likud government. Methods commonly used were withholding water flow, using non-payment of tax as a pretext for entry, declaring land war booty, forging the signatures of Palestinian landowners and declaring land to be for military use and then turning it over to Jewish settlers. In a classified 1983 report to the Likud government, Israel's own State Comptroller said that he had found irregularities in the acquisition of 71 per cent of the West Bank lands bought by the government.

Yitzhak Shamir, the present Foreign Minister and the future Prime Minister under the coalition National Unity Government, finds it intolerable that a witch hunt should block this patriotic mission of land redemption. 'It is no simple matter,' he says, 'to buy land from the Arabs. There is terror, there are threats, and even murders. And it has to be done, sometimes by trickery'.

In July 1985 fifteen members of a Jewish underground group were

sentenced to life imprisonment and twelve others to terms ranging from four months to seven years for their part in a terrorist campaign against Palestinians in the West Bank. The charges included the 1980 attempt to assassinate three West Bank mayors in which two of them were maimed; the attack on the Islamic College in Hebron in 1983 in which three Palestinian students were killed and over thirty injured; planting bombs on civilian Arab buses in East Jerusalem in 1984; planting bombs in mosques in Hebron; and a conspiracy to blow up the Dome of the Rock mosque on the Temple Mount in Jerusalem's Old City.

The judges' reasons for giving those involved in the attacks on the Arab mayors only three-year sentences were interesting, if unconvincing. The defendants had said they did not want to create Palestinian martyrs, therefore they had to be judged guilty of an intent to maim, not to kill, and proof of the lesser intent was that they had planted light explosive charges in the mayors' cars. One of those convicted of participating in the attack walked free because his three-year sentence was suspended except for the time already served awaiting trial. An Arab could have received twenty years simply for being a member of whatever the Israelis defined as a terrorist organisation.

No sooner had the sentences been announced than the campaign for their pardon began, led by Yitzhak Shamir who later exonerated them, saying 'There's no connection, heaven forbid, between boys who erred but who are basically good, boys who've done much for the nation and, on the other hand, terrorists, enemies, murderers. We will do everything we can to get them a pardon.'

Over the past year the nature of the Palestinian-Israeli conflict has been transformed as tension in the West Bank and Gaza has escalated. Reservists have been replaced by soldiers recently returned from implementing Israel's 'iron fist' policy in Lebanon. The Palestinians they are confronting are a new, more militant generation which has seen Israel flee Lebanon in the face of attacks by determined individuals, unlike their parents who witnessed Israel defeat three Arab armies. They may have known nothing but the tyranny of occupation and the constant humiliation and harassment of roadblocks, searches and evictions, but although unequal they have discovered their own ways of combat. They understand that what the Israelis fear most is any display or manifestation of Palestinian nationalism.

Trade unionists have been subjected to particularly harsh repression because the Israelis do not rule out the possibility that representatives of

the interests of Palestinian labour might come to represent much wider workers' aspirations. Cultural groups and social welfare organisations are either banned or harassed. Soldiers even shoot down the kites of Palestinian children which appear to them to proclaim the Palestinian identity.

The Israelis have not held municipal elections in the Occupied Territories since 1976 when pro-PLO mayors were elected, contrary to their expectation that the traditional elite would win. The Israelis have tried to woo a group of Palestinians to create an alternative leadership to the Palestine Liberation Organisation but those who cooperated with them lost whatever credibility they had with their own community. The village leagues were seen by the Palestinians as a refuge for quislings and collaborators. Fahed Qawasmeh, the elected mayor of Hebron and a member of the PLO executive committee, who was assassinated in Jordan in 1984, said this in an interview shortly before his death:

What do they want moderate Palestinians to say? To thank God because we are under occupation? I don't know what the Israelis mean by 'moderate'. Does being a moderate in their eyes mean being an Israeli collaborator? This is a moderate? No. A moderate man is one who can accept what another needs while at the same time asking only for what he himself needs. For these and other reasons, it is not easy to have any Palestinian leader in the occupied territories who is speaking about trust, about justice, about the goals of the Palestinians.

Having suppressed every visible means of Palestinian identity in the West Bank and Gaza the Israelis are at a loss who to blame for the defiance and resistance they encounter daily. Is it because of the proximity of the PLO in Amman; are they still active in the camps in Lebanon; was the conspiracy hatched in Damascus, Tunis or Tripoli? The finger of blame simply comes back and points at the real perpetrator of violence: the Israeli occupation and its nemesis is that, despite the systematic way in which the Israelis have expropriated Palestinian land, demolished their homes, expelled, deported and detained Palestinian Arabs, their nation and the spirit of nationhood survives. Every unarmed Palestinian child who throws a stone at an Israeli soldier is a reminder of that failure.

Third World Prize 1985

*The Third World Prize 1985 administered by
the Third World Foundation
for social and economic studies
was awarded to
Nelson Rolihlahla Mandela and
Nomzamo Winnie Mandela*

The Prize was instituted in 1979 by the Bank of Credit and Commerce International SA, following the first South-South Symposium held in Arusha, Tanzania. The Prize, which is awarded annually, is US\$100,000, and a Medallion.

The Selection Committee is Shridath S Ramphal (Chairman), Robert K A Gardiner, Enrique V Iglesias, B K Nehru, and Azim Husain.

The Third World Prize is conferred on individuals or institutions, regardless of race, nationality, creed or sex, for outstanding contribution to Third World development, particularly in the economic, social, political or scientific fields. The Selection Committee determines priorities from time to time; but the principal qualities which the Prize aims to honour are originality, inspiration, enterprise, creativity, innovation and service to the general good of the peoples of the Third World.

*Azim Husain
Member-Secretary*

Citation

Nelson Rolihlahla Mandela is a towering leader for the people of South Africa in their struggle against apartheid. For hundreds of millions the world over who share their aspirations for a just society, he is a symbol of hope for human civilisation. His ceaseless mission for a non-racial society for all the people of South Africa is a source of inspiration alike for those who are oppressed and those beyond South Africa who share the burden of humanity for their oppression. When he was sentenced to life imprisonment he proclaimed from the dock: 'I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die.' Twenty-three years later, Nelson Mandela is still in prison, still dedicated to this noble ideal and still a symbol of hope-increasingly, for all the people of South Africa.

Nelson Mandela was born on 18 July 1916 in Umtata in the part of South Africa known as Transkei, now one of the so-called homelands. The first-born

son of a royal house, he was to renounce his chieftancy on his father's death. Trained as a lawyer, he was soon to join battle against the laws of an unjust society. His search for justice led him in 1944 to the African National Congress, which had been founded in 1912.

In the next two decades, he played an increasingly important role in the work of the ANC, sharing in and guiding its development at a critical stage of widening political consciousness among the oppressed people of South Africa. Active in building up the ANC's Youth League in the early years, he was later prominent in the national Day of Protest of 26 June 1950 against police violence directed at May Day demonstrators, and two years later in the Defiance Campaign against unjust laws.

In 1955—he was by then President of the ANC for the Transvaal Province—Nelson Mandela played a key part in the Congress of the People, which adopted the Freedom Charter which said that 'South Africa belongs to all who live in it, black and white'. This raised the basic question of not what amendments should be made to the law, but who makes the law. It was a clear affirmation of commitment to democracy and non-racialism, but it was a commitment which South Africa's rulers found subversive.

In March 1960, Sharpeville became a synonym for the violence of the apartheid regime, whose forces gunned down sixty-nine men, women and children peacefully protesting against South Africa's notorious pass laws. But Mandela persisted in his quest for negotiated change and in June 1961 issued his call to the Government to hold a National Convention to draw up a democratic constitution on the basis of the equality of all the people of the country, irrespective of race or colour. The Government spurned this call.

The obduracy of the regime and its increasing repression—of which Sharpeville had given such tragic evidence—and the recognition that half a century of patient petitioning followed by peaceful protest had achieved no softening in the rigours of apartheid but had brought ever greater violence in its defence led Mandela to establish *Umkonto We Siswe* or Spear of the Nation. It launched a programme of sabotage with attacks on selected government installations, marking a new level in the popular struggle against apartheid responding to the violence with which the regime seemed determined to perpetuate it.

In the repression which followed Sharpeville, the ANC was outlawed, but the persecution of Mandela by the authorities had begun earlier. A four-year trial for treason of Mandela and 155 other persons, both black and white, ended in their acquittal in 1961. Re-arrested in 1962, Mandela was sentenced to five years hard labour but was taken from his prison cell in 1963 to face yet new charges. He, and six others, were sentenced to life imprisonment.

He has been a unifying force to all those struggling for justice in South Africa. In the late 1970s, he was offered his freedom if he agreed to live in the Transkei where he was born and where he could have become token Prime

Minister. His answer was a firm refusal. This year he was equally forthright when offered his freedom on condition that he publicly renounce violence. His answer was given through his daughter to a rally in Soweto last March. 'Let him (Botha) renounce violence. Let him say he will dismantle apartheid. Let him free all who have been imprisoned, banned or exiled. I cherish my own freedom dearly but I care even more for your freedom. I cannot sell my birthright nor am I prepared to sell the birthright of the people to be free.'

Nelson Mandela is honoured wherever democracy and freedom are valued. Streets and buildings around the world have been named after him; so has a nuclear particle. Many cities have given him their freedom; numerous universities have conferred degrees on him. Since last month his statue adorns the South Bank in London.

In awarding this year's Third World Prize to Nelson Mandela, we salute him for his heroic fight against oppression based on a profound faith in the equality of human beings and in their right to be free. We honour him as a great son of Africa and of the Third World.

Throughout his years of incarceration his wife Nomzamo Winnie Mandela has kept faith with him and the cause he made his own, despite the many tribulations visited on her. To the agony of desolation and the anguish caused by her husband's sufferings has been added a vendetta against herself. She has been banned, detained and brought to trial on many occasions; for only ten months in the last twenty-three years has she been free of restrictions imposed by the regime. Following the Soweto uprising in 1976, she was banished to Brandfort to remain under constant surveillance and many restrictions on her freedom. There have been several attempts on her life; her children and her friends have suffered harassment. Her home was recently fire-bombed.

But, with remarkable courage and a resilience of spirit, she has continued to uphold the banner of freedom as her brave husband has continued to do from his prison cell. To the extent that the inhumane laws of the apartheid regime have allowed her, and often in defiance of them, she has herself championed the cause of her people as they suffered the pains of increasing repression and violence: deaths, detentions, forcible removals and dispossessions, separation from families and the other torments and indignities we have come to associate with apartheid.

Despite the heartbreak of separation from her husband, she has steadfastly supported him in his refusal to compromise the struggle for his people's freedom for the sake of his own freedom.

In the year that marks the end of the UN Decade for Women, it is appropriate that, as we honour Nelson Mandela, we also honour Winnie Mandela for her own outstanding contribution to the struggle for justice in South Africa.

The Selection Committee for the Third World Prize is proud to award this year's Prize jointly to Nelson and Winnie Mandela.

Yassir Arafat

Yassir Arafat is Chairman of the Executive Committee of the Palestine Liberation Organisation (PLO) and President of the Executive Committee of the Palestine National Liberation Movement (Al Fatah), and Commander-in-Chief of the Palestinian and Fatah armed forces.

Born in Jerusalem on 4 August 1929, Yassir Arafat was educated at Cairo University and joined the League of Palestinian Students in 1944. He became a member of its Executive Committee in 1950 and was its President from 1952-6. Working as an engineer in Egypt and Kuwait between 1956 and 1965, he was instrumental in forming the Al Fatah movement in 1956, becoming President of its Executive Committee in June 1968. In the same year he became Chairman of the PLO's Executive Committee.

Altaj Gauhar interviewed Yassir Arafat in Baghdad in November 1985.

AG: *In a world dominated by the two superpowers can the developing countries organise themselves into a vital force to establish an equitable world order?*

ARAFAT: The Third World faces a powerful combination of the forces of imperialism, colonialism, racism and Zionism. They present an awful alliance which has managed to strengthen its hold. When the military occupation of many African, Asian and Latin American countries ended with the defeat of these forces they substituted a regime of economic occupation of the Third World.

Take South Africa, where successive US administrations have consistently supported the Pretoria regime despite the growing political influence of Black Power in America. The US has more than a 20 per cent stake in the economy of South Africa. Britain has more than a 50 per cent stake and the rest is distributed among the other European countries. It is this financial interest which fortifies apartheid and results in the oppression and despair of the South Africans.

The extent of the post-colonial economic exploitation can be judged by the burden of Third World debts. The loans which Mexico, Argentina, Brazil and several African countries have

to repay unmask another face of economic colonialism. I am in full agreement with President Fidel Castro that the Third World must repudiate these debts. These loans do not represent a *bona fide* banking transaction—they amount to robbery. Unfortunately, there are differences among ourselves which are weakening our position.

I see the American administration as the leader of these forces of neo-colonialism and racism. The US provides support to the Pretoria regime and there is a great similarity between the US operations in the Middle East and in South Africa. The US created the circumstances in South Africa which forced the front-line states to sign agreements with Pretoria. Exactly the same kind of circumstances were created to conclude the Camp David Accords between Israel and Egypt. Israel and South Africa are major instruments of US strategic policy in Southern Africa and in the Middle East. The Americans are now attempting to create divisions and dissensions in Central and Latin America. But they cannot succeed. Let me tell you why. They cannot succeed because they can neither subjugate nor completely ignore the masses in the Third World. They need the masses because they need markets; they cannot subjugate them because no government, however powerful, can destroy the will of three-fourths of mankind.

AG: *But how can the masses be mobilised when in many of the developing countries they are under the control of autocratic rulers?*

ARAFAT: These dictators are only agents of international imperialism and international monopoly. They are no more than puppets. See what happened in Lebanon. We remained faithful to the people and committed ourselves to popular resistance and prolonged popular struggle. We trained the people, we armed the masses. When Israel invaded Lebanon under a plan drawn up by Alexander Haig and Ariel Sharon they thought the war would be over in two or three days. Israel had the full might of American military power behind it. What happened? The longest Arab-Israeli confrontation. They had more weapons, more sophisticated weapons, than we had. Some of these weapons were being used for the first time under American supervision for experimental purposes. But the confrontation

lasted for eighty-eight days. The earlier wars lasted three days or six days and the longest one thirteen days in 1973 but this one continued for eighty-eight days. General Rafael Eitan, the former Chief-of-Staff of the Israeli army, conceded in a book he wrote later that, considering its original objectives, the Israeli Army had been defeated by the PLO. We triumphed because of our people who had been trained and armed: every child, every woman, every man fought to the end alongside the Palestine armed forces.

Since then, our allies the Lebanese and we have continued a war of attrition in the South of Lebanon where Israel has suffered very high casualties. Their casualties in the siege of Beirut and in the war of attrition exceed by more than 200 per cent the number of soldiers they lost in the Arab-Israeli wars. It is this experience of mass mobilisation which we offer to the world as a model of liberation struggle. There is only one way to fight the combined forces of colonialism, imperialism, racism and Zionism and that is through the masses.

AG: *But the fact remains that the masses in the developing countries are disorganised and continue to be oppressed and exploited by their own rulers. The situation in the Muslim world, where they have the means and the resources to liberate, educate and mobilise the people, is most depressing.*

ARAFAT: I do not underestimate the difficulties. After the war of 1967 the Israelis invited General Beaufort to make a tour of the border areas of Syria, Jordan and Egypt occupied by the Israelis. The Israelis told him how they had succeeded in defeating the armies of three Arab countries. Beaufort commented that Israel's success was due not to its strength but to the weaknesses of its opponents. The Third World suffers from internal weaknesses and divisions, but the only way to establish real democracy is through the masses with whom there must be direct and constant communication. Our revolution is based on the belief that slaves cannot fight. We have to inspire the people with a sense of freedom and participation through democratic means so that each one of them, big or small, rich or poor, begins to take an active part in the struggle for the establishment of democracy.

AG: *How many Arab or Third World countries have the kind of democracy you are suggesting? I cannot think of more than ten.*

ARAFAT: And it is because of that situation that we have all these difficulties. You know the Koranic verse:

إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتَّى يُغَيِّرُوا مَا بِأَنْفُسِهِمْ

[‘Allah will not change the condition of a nation until the people themselves resolve to change their own condition.’] How have the Palestinians been able to face this horrible ceaseless aggression and bloodshed all these years? Our strongest shield has been our commitment to democracy.

AG: *Do you think the Third World has missed the opportunity to establish a genuinely democratic order?*

ARAFAT: No. We have not missed the opportunity. We can do it at any time. If we have the determination to do it today, it can be done today. So I cannot accept that we have missed the opportunity. The opportunity is there. The power of the people is there; nobody can liquidate that power. The moment we decide to use this power the forces of social change will be instantaneously released and the whole environment will be transformed. It was through the use of the power of the people that colonial occupation was brought to an end. We now have to use that power to get rid of economic occupation and exploitation. In the new situation the old colonial powers do not have to deploy troops. All they need is the power of commercial banks to control the economies of all the developing countries.

AG: *It is often suggested that social change can come about only in stages. Do you think change will come through the revolutionary mobilisation of the masses or through gradual reforms?*

ARAFAT: Gradual reforms will only bring more obstacles, more loans, more exploitation. What has happened to the oil power of the Arabs? Now we do not even have the opportunity to use it. The price of oil will drop to the level of North Sea oil—\$18—and that will inevitably affect the development plans, budgetary policies and our standards of living in the oil-exporting countries. The cost of maintenance of the spectacular projects that were earlier established now exceeds the oil income.

AG: *A large amount of oil money was spent by the Arabs on arms. Has that helped the Palestinian cause?*

ARAFAT: Those arms have not been used at all. Each year more and

more money has to be spent to up-date the arms. Can you guess the amount of money they have spent on arms? Can you imagine the amount of money we are losing on this Iran-Iraq war? An American official was asked whether the United States wanted to end the Iran-Iraq war. He said, 'You must be mad, why should we?' There is so much money in it for the arms dealers. All the efforts of the Islamic Conference and of the Non-Aligned Movement have failed to stop this war. We were in support of the Iranians during their struggle, we supported them in every possible way. Now we have offered the Palestinian initiative to bring hostilities to an end. The Taif Summit adopted a resolution that all the Islamic states should help the Mediation Committee and the Good Relations Committee to bring about a disengagement of forces. We have suggested that a combined Islamic force should stand between Iran and Iraq so that the two sides would stop attacking each other. This is not a novel idea. During the confrontation between the Iraqis and the Kuwaitis the American forces intervened and brought the confrontation to an end. I myself worked as a mediator between them. The same thing happened in Korea where an international force stepped in to separate the Chinese from the North Koreans. They suffered heavy losses but in the end a ceasefire was established along the 38th parallel. We suggest the use of the same strategy to separate the Iraqi forces from the Iranian forces.

AG: *Your Cairo Declaration in which you condemn all external operations and all types of terrorism has been seen as a major concession because it amounts to a renunciation of the use of violence to attain political ends.*

ARAFAT: Let me clarify. You have to distinguish between violence and terrorism. We are against all forms of terrorism, individual terrorism, group terrorism, state terrorism; we are totally against all terrorist activities against innocent people. The Palestine National Council adopted a resolution on this and the Cairo Declaration re-affirms it. This resolution was accepted by the Casablanca Summit. So all we have done is to reiterate the two earlier resolutions.

AG: *What is the exact distinction between violence and terrorism in your mind?*

ARAFAT: The difference is the same as between legitimate armed

the social reality fits the policy claims and its justifications, despite evidence to the contrary.

Thirdly, we would expect them to attempt to quell opposition, seeking to de-legitimise it through techniques like 'red-baiting' or to intimidate it through domestic political surveillance and other police action.

There is evidence of each of these patterns. And taken together, the secrecy, deception and dishonesty, and efforts to quell dissent seriously challenge the post-Vietnam commitment to a more constitutional and democratic policymaking process.

Secrecy: restricting information to limit public debate

'You can't let your people know [what the government is doing]', the President explains at an October 19 press conference, 'without letting the wrong people know—those who are in opposition to what you're doing.'

The meaning of the President's remarks becomes clear on October 25, when US forces invade the island of Grenada and the American press is barred from the scene at gunpoint, forced to huddle on a nearby island, and compelled to transmit to the public only official lies and evasions. This wanton act of government censorship reveals 'a certain mind-set' among the nation's leaders. *Time* angrily observes: 'The notion that events can be shaped by their presentation, that truth should be a controlled substance.' Indeed so, but this flaunting of censorship reveals something more than a 'mind-set': it reveals a determination to habituate a free people to official news and to regarding a free press as the national enemy. 'It seems as though the reporters are always against us. They're always seeking to report something that's going to screw things up,' says Secretary of State George Shultz; 'pandering,' writes Safire on December 18, 'to the most dangerous I-Am-the-State instincts of his boss.'⁴⁶

Press censorship during the Grenada operation was a paradigmatic case of controlling access to information in order to legitimate quickly the policy and discourage reasoned opposition. While official 'misinformation' was later brought to light,⁴⁷ the Administration was able to sell its version at the time when opposition was likely to have been strongest. The Grenada incident, and efforts to keep policy secret in Central America, are part of a larger pattern. Since World War II there has been a secular trend (slowed, and in some cases reversed under the

⁴⁶ Walter Karp, 'Liberty under siege, the Reagan Administration's taste for autocracy', *Harper's*, November 1985, p 63.

⁴⁷ See for example, Stuart Taylor Jr, 'In wake of invasion, much official misinformation by US comes to light', *New York Times*, 6 November 1983

terrorists. It is only the Palestinians who are terrorists without exception. The Cairo Declaration was really meant to put an end to all this talk about the PLO encouraging acts of terrorism.

AG: *Chairman, I gather from what you say that the Americans find the PLO totally unacceptable?*

ARAFAT: Let me remind you that during Reagan's campaign for a second term he chose to attack the PLO in three of his five campaign speeches. There is a confrontation between us and the American superpower. We regard the US government as the controlling force of neo-colonialism, imperialism and racism, and we have no doubt that the US employs Israel to spearhead its strategy of domination in the Middle East. We understand that, we take that into account while making our plans, but we are not paranoid about it. We know that it is all part of the game and we know also that we will not lose our control in the area. So I am not worried. The US campaign against the PLO has been awful for the Palestinians, including those living on the West Bank and in Europe and America. It causes me deep sorrow but we are not losing our cool. We are carrying on the struggle because we know that we are not dealing with a local problem; we are dealing with a problem of global implications. We know that the victory of the Palestinians will be a turning-point for the Third World.

AG: *To what extent has the PLO been weakened and your own position as Chairman compromised since the Israeli raid on the PLO headquarters in Tunis? You have been to Jordan and to Cairo, how did you find the situation?*

ARAFAT: In Cairo the Americans are facing a situation of public resentment and anger. For the first time the American Ambassador in Egypt is *persona non grata*.

But first we must analyse what prompted the Israeli-American air raid against my private residence. It was not just another Israeli act of aggression; I have the documents and the proof that they were encouraged by the Americans in this misadventure. In many ways it was a fatal mistake because it affected Tunisia, a country friendly to the Americans. It violated the sovereignty of Egypt, another friendly country to the US. It offended Italy and embarrassed Yugoslavia, both friendly to the US.

What was the purpose of the raid? Israeli officials including General Moshe Levi said the target was Abu Amar. They thought they had finally got me and were crowing about the success of their raid. I was far away from the scene and waited for two hours to see whether the raid would be followed by some commando action. For me it was not the first time to be the target of an assassin. During the siege of Beirut I was subjected to aerial sniping on several occasions. They were using concussion bombs to destroy every building in which they thought I was residing. But we recovered from the siege and we organised ourselves and re-established the entire infrastructure of the PLO. It was this infrastructure which Alexander Haig and Ariel Sharon wanted to destroy and they thought that once we were out of Beirut the PLO would cease to exist. But the PLO survived and triumphed.

After the Israeli failure, the Syrians tried to liquidate the PLO by manipulating the dissidents against the organisation. They mounted a double siege of Tripoli: the Israelis from the sea and the Syrians from the land, but they failed to destroy the PLO. They were astonished how quickly we regained our strength and recovered our previous position.

After that they decided that the only way to finish the PLO was to exterminate Abu Amar. Three days after the air raid on Tunis it was revealed by the Israeli broadcasting station that the US government had been informed of the Israeli plan at least a week earlier. What does this mean? This means that while President Reagan was discussing the peace process with President Mubarak and King Hussein, he had already given the green light to the Israeli air force to eliminate the PLO and its Chairman. The Americans had decided that one party to the Palestinian-Jordanian Accord which was to form the basis of the peace process should be extinguished. George Shultz unmasked the whole thing when he said that the US was not particularly supportive of the Jordanian-Palestinian Accord. The US initially encouraged the negotiations under the impression that the PLO would never come to any agreement with Jordan. When we did come to an agreement with King Hussein, the US started back-tracking from the peace process.

In our meeting with Murphy we were told that the US would only accept such Palestinian representatives in the

negotiations as were members of the Palestine National Council. He was astounded when we accepted the proposition. Murphy then tried to find some Palestinians outside the PLO who could be brought into the negotiating process, but every prominent figure that he contacted inside the occupied territories told him that the PLO was the sole representative of the Palestinians.

AG: *What is the significance of the Syrian-Jordanian rapprochement. Can this rapprochement serve as a basis for Israeli-Arab negotiations?*

ARAFAT: The Reagan administration feels that such a rapprochement can provide the basis for direct negotiations under a false international umbrella. In my opinion, President Reagan is making a serious mistake, the same mistake which President Johnson made when he pushed the US government into direct involvement in Vietnam. President Reagan is pushing the American nation and the US government into direct involvement in the Israeli-Arab conflict.

AG: *How do you see the role of the Soviet Union which has some influence over Syria?*

ARAFAT: The Syrians, to speak frankly, are using the Soviet card to strengthen their links with the Americans. There is this agreement between Robert McFarlane and President Assad—I call it 'Camp McFarlane'. The main points in this agreement are that the PLO forces must not be allowed to return to Lebanon and that the people of Israel must be protected from the military opposition of the Palestinians and their allies.

AG: *What is the Middle East peace process about? Is it about the Palestinian homeland or about Lebanon or about the Gulf War—are they all part of the same problem?*

ARAFAT: Actually there is only one problem, the Palestinian problem. Everything else revolves around this problem. The Western mass media present the Middle East as a series of problems but the truth is that there is only one problem in the Middle East and that is the Palestinian problem.

AG: *Why do you feel they are presenting this problem as a number of interconnected issues?*

ARAFAT: Because they would like to divide the Arabs and to conclude bilateral solutions—that is part of the whole scheme of neo-colonialism.

AG: *How do you think this problem can be resolved?*

ARAFAT: The only way is to have an international conference. We do not trust the Americans; like the Israelis, they are a party to the conflict. We have paid a very heavy price for relying on the Americans. I have an agreement signed by Philip Habib, special envoy of the President of the United States of America at the time of my departure from Beirut. It is a solemn agreement in which the special envoy of the US President gave me a formal pledge to protect and safeguard the Palestinian refugee camps in the west of Beirut. Apart from this agreement, he gave me a guarantee that the Lebanese government would fully protect the camps. What happened to Sabra and Chatila? That is one instance. Following that, what happened in Tunis?

This American administration is totally committed to the Israeli point of view and that is why it is essential that we have an international conference which can provide international guarantees. The Americans make a big deal of the Soviet Union not having diplomatic relations with Israel, but the US does not recognise the PLO which, apart from Israel, is the only other party to the dispute.

The Palestinians have suffered a great deal already. What did they get out of the Camp David Accords save aggression? The Soviet Union recognises the rights of the Palestinians including their right to have an independent state, the European governments recognise that right and the Chinese endorse that position. Now there exists an acceptable basis for negotiations—the rights of the Palestinian people, the acceptance of the PLO as the sole representative of the Palestinians and the Jordanian–Palestinian Accord—still the Americans refuse to recognise these realities.

AG: *Do you think the Geneva conference will move towards the convening of an international conference?*

ARAFAT: We will know tomorrow or the day after. Today, I had a very important discussion with Ambassador Balyakof. We have had very constructive talks including the question of the international conference.

AG: *Do you expect anything substantive to come out of Geneva? Will they take any significant steps towards disarmament?*

ARAFAT: I think they will have to move towards disarmament. They have no other option.

AG: *Lastly, do you think you will see the Palestinian cause succeed in your lifetime?*

ARAFAT: I have no doubt. I will invite you to Jerusalem. You know, during the Beirut siege I told my friends that we were entering a dark tunnel, but I saw the war as an 'accordion war'. I spoke about the volcano and the typhoon when I was leaving Beirut. Nobody understood what I meant by the volcano and the typhoon but soon the Americans knew when they had to pay a high price in the shameful withdrawal of their navy and marines from Beirut because of the courage and unity of the Palestinians. All the American and Israeli intelligence could not discover that we had distributed more than half a million pieces of arms to the people.

It was during the siege of Beirut that I had the vision of Palestine—the minarets of Jerusalem, the domes of the mosques, the towers of the churches of Jerusalem in my eyes. The huge forces of Israel have been defeated twice during these three years: once during the siege of Beirut and then during the war of attrition.

The Israelis have one great fear, the fear of casualties. Look what is going on inside Israel today. The critical economic situation because of the war of Lebanon—the morale of the Israeli army, which has been shattered for the first time. Now we are David and they are Goliath. Now we know how to deal with them. They have a problem in the Knesset, and in the United States administration. The problem is that if the PLO accepts Resolution 242 what would happen next? They have to wait for our initiative before they can plan their response. We have the upper hand.

AG: *How do you see the role of the PLO in the Middle East?*

ARAFAT: We can shift the whole balance in this area. For this it is important that Egypt should take up its legitimate position in the Arab world.

AG: *How distant is that?*

ARAFAT: It is approaching. We are succeeding step by step.

I heard that the Palestinians in the occupied lands sent a message to Reagan and Gorbachov, reiterating that the PLO

was their sole representative. They said that there was no other option for peace except through negotiations with the PLO in order to secure the natural rights of the Palestinian people. Five thousand persons sent that message to Geneva. That is our real strength; the strength of the people. But I promise you I shall see you in Jerusalem.

Farouk Kaddoumi

Farouk Kaddoumi, as head of the Political Department of the Palestine Liberation Organisation, is the Executive Committee member responsible for Foreign Relations. He is the Secretary-General of the Palestine National Liberation Movement (Al Fatah).

He was born in 1930 in Nablus, and was educated at Cairo University, where he was a contemporary of Yassir Arafat. He moved to Kuwait with Arafat, and both were founder-members of Al Fatah.

Altaf Gauhar interviewed Farouk Kaddoumi in Baghdad in November 1985.

AG: *As one of the leaders of a liberation struggle, how do you see the world, and what is it you want to achieve?*

KADDOUMI: Two big questions. As a small nation the Palestinians want to have a suitable place on the political and geographic map of the world. This is the first thing. The second thing we are trying to achieve through our struggle is the recognition by all nations of the just rights of the Palestinian people, their right of self-determination and their right to return to their homeland and to establish an independent state in Palestine. These are the simple demands of the Palestinian people. Can we attain these objectives in a very short time? It is difficult to say because our problem is one of the most chronic problems of the world. It doesn't relate only to Israel and the Palestinians, but also to the Arabs, with the peace-loving progressive forces on one side and the Israelis and the US and those who support Israel and the strategic policies of the US on the other. Our strategy is to regain our lost land, but this we cannot achieve unless the other Arab countries unite to stand as one against the hegemony of the United States in the area.

In the meantime we have established close relations with other liberation movements in Africa, Latin America and in Asia. We are in touch with the liberation movements in South Africa, in El Salvador and in Nicaragua. We know that a liberation movement which succeeds in attaining its intermediate or final aims will help us to move forward

toward our goal. The Palestinian movement is not a movement just to regain Palestine: it is a fight between liberation and oppression, between freedom and slavery, between revolution and colonialism. The Palestinian movement is a war against oppression.

The Palestinian cause has survived two world wars and still continues to exist as a problem for the whole world. It is a problem that haunts mankind. It is the main source of tension in the world and one which threatens international peace and security. It is closely related to the imperialistic presence of the United States, a presence calculated to exploit the wealth of the nations in the area, particularly the wealth of oil-producing nations.

We know that the superpowers want to divide the world among themselves. That is why we are a part of the Non-Aligned Movement. But we do differentiate between the US and the Soviet Union; the PLO considers the Soviet Union to be a friend of the Palestinian people and we know that the American administration is hostile to the Palestinian people and their rights. For America, the main priority is the consolidation and advancement of Israel; it is a small state in the Middle East but receives, relatively speaking, more aid than any other friend of the US. The interception of an Egyptian civilian plane by the US after the *Achille Lauro* affair is a good example of the way in which the Americans treat their other friends in the region. After Camp David, the Egyptians felt that they might develop special friendly ties with the US, but the first friend of the US administration is Israel. That is what makes the Palestinian problem the most difficult problem in the world. Peace cannot be maintained in the Middle East while Israel continues its illegal occupation of our territory and its violation of our national rights.

AG: *You said that you seek to establish a suitable place on the geographical map of the world. Does this mean the fulfilment of your right of self-determination?*

KADDOUMI: Exactly.

AG: *And returning to your homeland?*

KADDOUMI: As I said, the attitude of the US is one of the major obstacles in our way to attaining our goals, but the most

important hurdle is the Israeli expansionist and aggressive policy. Since its creation in 1948, in accordance with UN Resolution 181, Israel has annexed the territory which was meant for the Palestinians to establish their own state. Later, they annexed another part of Palestine and in 1967 the rest of Palestine. The other obstacle is differences among the Arab states, because those differences have a negative effect on the cause of Palestine.

AG: *How deep and divisive are these differences within the Arab world?*

KADDOUMI: The central issue in the Arab world is the Palestinian problem. In their summit conferences the Arabs agree that the cause of Palestine is the central issue in the Arab world, but when it comes to action there is a wide diversity of interpretation of the cause. In the past every Arab state acted its own way but after the creation of the PLO all the Arabs were required to stand solidly behind the PLO to enable the Palestinian people to exercise their right of self-determination and to regain their lost homeland. But the Arabs remained divided and their differences were aggravated after the Camp David Accords. Then there are the differences in the Gulf. The Gulf States have established their own council for cooperation. The conflict between Iraq and Iran has also influenced the cause of Palestine and made it difficult for all the states to adopt a common stand. But we must not forget that we are part of the Third World. Our problems are the same as those of other developing countries. The real issue is the economic issue and how to make progress in socio-economic fields. I could also say that there is a kind of rivalry among the Arab leaders and in the absence of Egypt they find it difficult to unite. After all, Egypt is the largest Arab state and Egypt might still provide the political leadership which could unite the Arabs. But Egypt is out because of Camp David.

AG: *You think the present leadership in Egypt . . .*

KADDOUMI: No, no. Because of Camp David we have to boycott the Egyptian regime. Therefore, the problem we are facing is the differences between the Arab states. Oil could have united the Arabs and integrated them into the Third World. Some of the oil-producing countries should still distribute a

portion of their oil revenue to other poor countries not as charity or aid but as a national responsibility—an Arab national responsibility on behalf of the oil-producing countries. Unfortunately, during the years of oil surplus revenues, all kinds of contradictions within Arab society reasserted themselves—religious contradictions and sectarian contradictions, as happened in Lebanon. This is not entirely because of the Arabs—we know that foreign hands were involved in stirring up Arab society—but because of these issues the Arabs cannot, for the time being, consolidate their efforts to provide a united response to the new challenges.

AG: *Do you think the present rapprochement between Jordan and Syria might have a negative effect on the Palestinian struggle?*

KADDOUMI: No. We did our best to establish the reconciliation committees at the Casablanca summit with the precise purpose of resolving differences and problems among the Arab states. We want to mend the fences between the conflicting states. One of the reconciliation committees is handling the situation between Jordan and Syria. Yes, we have differences with the Syrians but if the Jordanians and the Syrians come together it would have a positive effect on our struggle. These two Arab states have to come to a compromise. Such a compromise might affect some of the neighbouring countries. We may then have to move forward another compromise between the Iraqis and the Syrians. Such a compromise would end the conflict between Iraq and Iran, would stop providing support to the Iranian regime and exercise some pressure on the Iraqis to settle their differences with the Iranians. This would have to be done in conjunction with the other states, whether they are Gulf States or in the eastern part of the Arab world.

AG: *But a Syrian-Jordanian rapprochement could weaken the position of the PLO and Chairman Yassir Arafat and deprive him of a meaningful role in the peace process?*

KADDOUMI: We are not afraid of that because we are strong enough to preserve our own position. They can go on with their negotiations to resolve the Middle East crisis, but without

the Palestinians those negotiations will serve no purpose. There will be no peace until the Palestinians regain their national rights. King Hussein knows that very well and he also knows that he cannot go ahead with the process of peace to the exclusion of the PLO. But he expects the PLO to give more concessions which we cannot do.

AG: *What kind of concessions?*

KADDOUMI: Concessions which would require us to recognise Resolution 242, the right of Israel to exist, and we cannot do that without getting something in return. Such concessions would weaken the PLO and lose us the confidence of our people. It would also widen the divisions between the Palestinian factions.

All we have agreed with other Arabs is that the Fez plan must form the basis for any future solution of the Middle East problem. We have never opposed the process of peace. It is the United States and Israel who oppose peace in the region. We arrived at an agreement with Jordan to advance the peace process. It was the Syrians who opposed our agreement with Jordan. But we have to keep up the momentum. I agree that these differences between Syria and the Palestinians have unfortunately weakened the Arab cause.

AG: *Are you being briefed by Jordan and Syria about their negotiations?*

KADDOUMI: We are being briefed by the Jordanians while the Syrians may be briefing the Palestinian factions in Damascus. But we should be very clear that the summit conference in 1974 unanimously adopted a resolution recognising the PLO as the sole representative of the Palestinian people, and we will oppose any Arab action which violates that resolution in any way. Unfortunately, some of the Arab leaders fear that the recognition of the PLO as the sole representative organisation of the Palestinians could affect their own position. The PLO, by making the Palestinian problem the central issue of the region, might steal the show from them. As I said before, every Arab state, especially in the East, was handling the Palestinians in its own way. This is no longer possible because of the PLO. The Syrians like to pretend that Palestine is different from the people of

Palestine, from the PLO; this is a deviation from the Rabat resolution. But the people of Syria, like the people of Jordan, all support the PLO. That is what makes some of the Arab leaders treat the PLO leadership as a rival leadership in the area. This is the problem.

AG: *You said that you distinguished between the two superpowers and the distinction lies in the way you see the US supporting Israel and using it as an instrument of its own foreign policy. You regard the Soviet Union as a friend. What particular acts of friendship has the Soviet Union performed in your support and what role do you expect it to play in the peace process?*

KADDUUMI: Well, first of all the Soviet Union recognises the PLO as the sole representative of the Palestinian people. The Soviet Union firmly believes that peace cannot be established in the Middle East unless the Palestinians regain their lost rights; this means self-determination and the establishment of an independent Palestinian state. They support us at all levels and in the international arena. The Soviet Union and the socialist countries support our position in all conferences and in the United Nations. In addition, we receive material help from the socialist countries and from the Soviet Union and from China. The socialist countries provide us with arms either through the Arab states or directly. We know that this help from the socialist countries does not mean that we can get all that we want.

There are differences too. The USSR recognises UN Security Council Resolution 242; we don't recognise 242. At the same time, we cannot go to the negotiating table within the framework of the United Nations without the Soviet Union. Why? Because we do not trust the United States of America. It is in the interest of the US to strengthen Israel militarily and economically in the area. It is in the interest of the Soviet Union to have a friendly Palestinian state in the area. That does not mean we are becoming communists. The USSR supported the creation of Israel and endorsed the Partition Plan in 1947. Let us not forget that today they are committed to the partition plan.

AG: *What is the Soviet understanding of the frontiers of the state of Palestine?*

KADDOUMI: This has not been discussed by them. But they support UN Resolution 181 (the Partition Plan) and insist that it should be observed by all nations.

AG: *Do you think the Palestinians made a mistake in rejecting the Partition Plan?*

KADDOUMI: We did not have the PLO at the time. The Palestinians were dispersed all over the place. But the rejection of the Partition Plan did not mean that we had rejected and abandoned our rights. The territory that was designated for us did not cease to be our territory. Palestine is for the Palestinians, and recovering our territory is only a matter of time. If the Israelis want to live in peace we think the most suitable way would be for the Palestinians and Israelis to live in one state and that will erase the sense of hostility between the two peoples.

AG: *What was the exact purpose of Yassir Arafat's statement in Cairo opposing all acts of violence outside occupied territories?*

KADDOUMI: This statement was in accordance with a resolution adopted in the summit conference by the national council in 1974. It required that all factions of the PLO should abide by the instructions of the leadership and stop committing acts outside occupied territories.

AG: *Acts of violence?*

KADDOUMI: Yes, but this does not mean that we will not retaliate. If they raid Tunis and destroy the PLO offices there we *have* to retaliate. This would be legitimate self-defence. When they make a move, we will have to respond. Second, we will continue our operations in old Palestine. Please underline Palestine and exclude what is so-called Israel. We will never stop our operations in old Palestine. Why? Because we know that Israel is not looking for peace. Israel wants to expand and to dominate the whole area, preserving it as a sphere of influence for the US. Therefore, we have no choice but to fight. The United Nations resolutions give us this right to self-defence.

Why don't we recognise Israel? I have two questions to ask first. Which Israel do you want me to recognise? First, Israel has not delineated its borders officially and is embarked on an expansionist course. Second, how can an

oppressed person recognise his oppressor? Aggression and oppression must be vacated before you could ask me to recognise Israel. That is the reason why we criticise the Western media when they ask why we don't recognise Israel. Israel is in occupation of our territory and they want me to recognise it. I will never do that. Never. When they withdraw from all the occupied territories this question might be asked. Before that it is a hypothetical proposition unless we are expected to give up all our rights.

AG: *How do you justify the acts of violence and terrorism which are attributed to the PLO?*

KADDOUMI: First, there is a difference between terrorism and violence. We have to resort to violence against an enemy who occupies our land. Israel wants to annihilate the Palestinian people, not just the PLO. The main aim of Sharon and Begin when they occupied Lebanon was to destroy the infrastructure of the PLO, that is, the masses. The massacre in Sabra and Chatila was but a manifestation of that. How do you expect me to forget all that?

AG: *Was the PLO involved in the Achille Lauro affair?*

KADDOUMI: When I have been asked about the *Achille Lauro*, I have said that the people of Palestine are distributed all over the world, forced out of their homeland. They want to find a place where they can stand and talk to the world. They found a friendly ship—an Italian ship—and they stood there to tell the world and the United Nations that 165 of the companions and brothers had been killed in the Israeli raid on Tunis. What they did was wrong, I agree. But look at the crimes committed by Israel. I don't understand why an elderly man of 69 years who had had two heart attacks and was paralysed should have been killed by the hijackers. If they want to kill there were so many others—why an old man? Now we were asked to rescue the ship and save the lives of 400 people—and we did. What was the answer? The interception of the Egyptian civilian plane by the United States. I know the US is a superpower but after the hijacking of the Egyptian plane they should stop talking about human rights. Not too long ago the US occupied Grenada, a small peaceful island in the Caribbean. That was, and is, a ridiculous thing to do. Does this mean that a

superpower has the right to do whatever it wants and that because we are small and weak nations we have no right to live in peace or to express ourselves to the world?

AG: *To what extent has this affair compromised your position?*

KADDOUMI: In 1976 we were asked to protect the departure of 2,000 American civilians from Beirut; we did. We secured the release of thirteen American hostages from Iran during the Carter administration. The Americans had given us a pledge not to let the Israelis enter Beirut. They entered Beirut and committed the vilest crimes against the civilians in Sabra and Chatila.

The *Achille Lauro* is being used to defame the Palestinian people and the PLO. The mass media talked about the *Achille Lauro* day and night, having forgotten the 165 casualties sustained by the Palestinians and the Tunisians during the Israeli air raid. Even the Europeans have been influenced by this propaganda which is wholly unjustified. But I admired that courageous man, Bettino Craxi, when he said that the Palestinian people had the right to fight for their objectives. And when the European Parliament deplored the interception of the plane, we felt that at least there were some people who had the courage to tell the truth. But there are others who hate the Palestinian people and who carry on this propaganda campaign against them.

AG: *When Chairman Yassir Arafat went to Jordan recently we had the impression that he was going to be reprimanded by King Hussein. How much pressure was put on him by King Hussein?*

KADDOUMI: You know that King Hussein made a statement in London in which he blamed Mohammad Milhem, one of the PLO executive committee members, for not signing the statement which the British Foreign Secretary wanted to have before meeting the PLO representatives. Unfortunately, King Hussein's statement was false.

AG: *Why did he make such a false statement?*

KADDOUMI: I am sorry to say we have no knowledge on that. If we had wanted to make the kind of statement the British wanted we would have gone to the US, not to Britain, to offer that statement. At least, we would have got something in return

for that. But that is one thing. But when King Hussein realised that what he had said in London was not true, he changed his mind. He realised that we had the backing of Egypt and other Arab states and that made him reconsider his earlier statement.

The British representative in the UN Security Council said that some progress had been made in the Middle East as a result of the agreement between King Hussein and Yassir Arafat, and, in order to push this forward, the British Prime Minister, Mrs Thatcher, announced on 20 September that Sir Geoffrey Howe would have a meeting with two respected members of the executive committee of the PLO. Nothing more was said by the British representative and no preconditions were stipulated for the meeting. Therefore, all the British statements are completely false. I am sorry to say that they are big liars. I never thought that a meeting would take place and that is why I opposed the whole idea. Nor do I think that the agreement between the PLO and Jordan will lead to anything. We have the Fez plan and that is the one we should pursue.

The meeting with the British Foreign Secretary did not materialise because Mr Reagan called Mrs Thatcher and told her that the time was not suitable for such a meeting. Unfortunately, King Hussein decided to support his British friends.

AG: *Is King Hussein an independent actor in this whole drama?*

KADDOUMI: When King Hussein visited the US he was offered US\$2 billion to issue a joint statement with Israel agreeing to direct negotiations. He rejected the offer. He then returned to the idea of an international conference, but the US did not agree to that. The Americans proposed an international conference excluding the Soviet Union but including some European states. The Palestinians would be allowed to participate in the conference. The whole thing was a non-starter. The only aim of the US is to split the Palestinian leadership and then present certain issues acceptable to some of the Palestinians and unacceptable to the others. But we remained flexible so that the Palestinian cause was not harmed. We wanted to demonstrate to the

so-called moderate Arab states that the Americans and the Israelis were not looking for peace but were interested only in dividing the Arabs and in creating misunderstanding between the Palestinians and the Arabs. After we presented the names for the joint delegation, the Americans said we must first accept Resolution 242. I have to refer to an historical event, the protocols of Lausanne of 1949. The Arabs accepted the protocols of Lausanne which recognised the establishment of Israel, gave the Palestinians the right to establish their own state, and allowed the refugees to return to their homeland. The US, France and Turkey were represented on the reconciliation committee. These protocols were presented to the UN: Israel became a state and was recognised by the UN, and the Palestinian state was not established and our refugees remain as refugees. How can you trust the American administration? We have shown the world that the Americans and the Israelis are not for peace. They are for the exclusion of the PLO, for the destruction of the PLO. They have tried to destroy the PLO by arms and they failed. They tried to kill the PLO leadership in 1982 and failed. Mr Begin became depressed and retired and 400,000 people marched down the streets in Tel Aviv saying 'No war! Withdraw from Lebanon!' That was the first political and psychological defeat for Israel. I said in the UN Security Council that we will remain as an iron wall around Israel and we will never allow Israel to penetrate this wall.

AG: *What is the position of the present Egyptian regime?*

KADDOUMI: The *Achille Lauro* very badly damaged President Mubarak and aroused the anger of the Egyptians. Some of the high officials who were propagating friendship with the US were shocked, and are now advocating that Egypt should be a non-aligned country and not rely on the friendship of the US. Mubarak himself was shocked and that is why he said that he had not even read the message which President Reagan had sent to him and demanded an apology. And he should. I think there is a change. This psychological shock to the masses and to the regime needed some action on our part and we did play our part. It was the time for General

Haddad to visit Egypt to build confidence between us and the Egyptians.

AG: *Have you succeeded in that?*

KADDOUME: I think that we have been successful to a great extent. Egypt supports the right of the PLO to participate in the peace process as the sole representative of the Palestinian people. Egypt also supports the idea of an international conference and is exercising pressure on King Hussein not to move forward in a manner which might hurt the PLO cause.

AG: *You would be much happier with Egypt playing a more active role in the Middle East?*

KADDOUME: We are the catalyst in the area. We know the limitations of the Arab states. King Hussein knows better than anyone else that more than half of his people are Palestinians.

AG: *Does the Jordanian-Syrian rapprochement have the support of the Soviet Union?*

KADDOUME: I don't think so. It is necessary for the peace process to have the Jordanians, Syrians and Palestinians come together. Egypt has no interest in putting pressure on the Palestinians. The Egyptian regime wants the Palestinians to be on good terms with Egypt, for this would open the way for them to return to the Arab fold. This would satisfy the people in Egypt and remove their present anger and frustration.

AG: *Are you planning to leave Tunis and settle down in Baghdad?*

KADDOUME: I don't think so. The Israeli raid did not hurt our position or status in Tunis. It certainly hurt the feelings of the Tunisians. It also offended President Mitterrand because France and Tunisia are on friendly terms; that is why President Mitterrand did not go to the summit meeting of Western leaders in Washington.

AG: *How do you view the Iran-Iraq war?*

KADDOUME: This war makes no sense. Why are they fighting and for what purpose? Do they just want to destroy each other? I was a member of the Non-Aligned goodwill mission visited Tehran and Baghdad with the other members try to find a way to cool off this war, and to establish cease-fire. But unfortunately, we failed. The Iranians h

their demand to de-throne the President of Iraq and wanted us to condemn the aggression committed by the Iraqis. They were imposing terms as if they had defeated Iraq, which was not the case. The Islamic goodwill mission has also not succeeded because of the obstinacy of the Iranians. I don't blame the Iranian people. It is the Iranian leadership which must take the decision to stop this war. The battlefield is frozen at present, there are no major operations on the ground. We are doing our best to establish peace between the two countries because the war only serves the interest of Israel. The US too wants this war to continue. The Soviet Union does not want this war because it could trigger off other conflicts in the neighbouring countries of the USSR.

AG: *Is there a realisation among the Iraqis that they were guilty of aggression in the beginning?*

KADDOUMI: There is an old story. A boy was drowning and a man came to rescue him and he started blaming the boy for getting into the water at the wrong time. The boy shrieked 'Please save me first. You can reprimand me later.'

The Iraqis withdrew once or twice during 1982 and they indicated that they were ready to accept the 1975 agreement. They want to stop this war because they see Israel occupying Lebanon. They want the Arabs to unite to fight Zionism and Israeli forces. But there is no response from the Iranians. We have to realise that this war will destroy us all and we must stop it.

AG: *Does Yassir Arafat have an influence with the Iranian leadership?*

KADDOUMI: Yes. He continuously sends messages to them.

AG: *What has been the role of Syria in this war?*

KADDOUMI: Unfortunately, Syria has played a very dangerous role. We did not want the Syrians to stand by the Iraqis. We expected them to be neutral, not to support either party and to do their best to stop the war. But they cut the pipeline from Iraq through Syria and provided the Iranians with arms and ammunition. It is not in the interests of the Iranians to continue this war. Iran is being destroyed, its economy is deteriorating, the universities are closed and the people are

frustrated. All those who are providing arms to Iran expect Iran to destroy one of the largest and strongest Arab Islamic states.

AG: *But supposing no arms were supplied and Iran was defeated would that be beneficial for the Muslim world?*

KADDOUME: I don't want Muslims fighting Muslims. They should live in peace as good neighbours. Even if one side is defeated we will have to build confidence between the Iraqis and the Iranians. The Iranians are committed to fight against Zionism. I am not prejudiced against the Iranians. I want them to be strong, but they should be on good terms with the Arabs. It is also very necessary to see that Iraq remains a strong country militarily and economically and the two should cooperate with each other.

The IMF, austerity and the state in Latin America

IMF interventions during the past ten years have attracted considerable attention from critics on both the left and right. These criticisms have tended to focus on the perceived harshness or softness of the adjustment process forced on countries facing a balance-of-payments crisis. The debate over IMF policies has typically centred on the alleged merits or deficiencies of monetarist versus structuralist analyses of the balance-of-payments problem in developing countries. While this debate is important, it has resulted in a neglect of other issues.

Regardless of the severity of the adjustment process, or its success or failure, the implementation of IMF-sponsored policies has reshaped the economic and social relationships within national economies and between the local and world economy. IMF intervention and accompanying incentives and constraints have altered the economic behaviour of social actors in favour of local and international finance capital at the expense of local productive classes.

As an integral part of Western capitalism the IMF has contributed toward restructuring Third World economies, opening them to exports and flows of capital in periods of world expansion; extraction and transfer of surplus from the Third World to the West in times of debt crisis; and enforcement of economic obligations in times of declining income and world-wide economic contraction. The IMF does not act independently, nor does its symbolic representation as an international body signify that it is anything less than a political economic instrument for Western capital. The IMF is a significant actor but its effectiveness is based on the economic interests it represents and its capacity to fashion a policy which effectively defends those interests. Hence it is important neither to exaggerate or underestimate the specific role of the IMF. It is neither an omnipotent force nor a technical agency; its power is anchored in the changing relations of power between capitalist countries, the internal divisions of capital, as well as evolving North-South relations. The global repercussions of IMF intervention—implicit in its wide-ranging role as regulator and enforcer of global economic

relations—have in turn provoked global resistance. These reactions have sometimes led to rejection and modification of IMF policies (and subsequently weakened its effectiveness in its various roles) and sometimes engendered the worst effects that those policies sought to ameliorate (deepening debt, chronic balance-of-payments problems, hyper-inflation, etc.).

It is our contention that IMF intervention and efforts to regulate capitalist development have not eliminated or ameliorated economic instability and depression but transferred it from one set of actors to another from the North to the South, from bankers to producers, from capital to the popular classes. What is called stabilisation by the IMF, the bankers and the business press, is destabilisation to the economies of the South (through transfer of surplus), to the lives of workers (through unemployment and decline in income) and to local capital (through credit squeezes and resulting bankruptcies). The particular tunnel vision that accompanies the discussion of IMF stabilisation leaves out everyone who is not part of the narrow social base that promotes and benefits from IMF policies. If stabilisation is put into a broader context it is clear that the purpose of IMF policy is *not* stabilisation of 'the economy' but the regulation of a particular set of economic relations and the consolidation of a particular set of financial interests. It is these interests that establish the parameters of IMF policy, and define its ideology; it is the pursuit of these interests that frequently leads to the unbridgeable gap between IMF stabilisation rhetoric and the generalised instability that these same policies provoke.

As a source of liquidity the IMF plays an important institutional role in the reproduction of the international circulation of capital and commodities. During periods of crisis the ability to reproduce international circulation becomes especially severe since states tend to erect barriers to the movement of commodities and capital. In addition, the concentration and centralisation of international capital in transnational banks tends to amplify liquidity crises and has increased the threat of substantial systemic disintegration. In recent years IMF interventions have been directed at buffering and regulating massive movements of capital, especially those associated with the oil shocks and the debt crises of some Third World states. One component of IMF regulation has resulted in the alteration of the structures through which the costs of economic instability are allocated among social classes and between states.

The intensity and direction of IMF interventions are limited and mediated by local class and state structures. During periods of crisis states have few options; usually the alternatives to IMF intervention are either cessation of foreign trade or a severe contraction of demand to relieve pressure on foreign reserves. The threat of forced autarchy gives the IMF considerable leverage over states with declining reserves of exchangeable foreign currencies. But this leverage is limited; the particular model of accumulation operating in a country, the capacities of a state to design and implement autonomous policies, the duration and frequency of balance-of-payment crises, class alliances and cleavages, and the state's means of regulating class conflict affect the ability of the IMF to restructure relationships. Since it is the local state which must implement any IMF-inspired policy its capacities and the particular class interests which shape it are of particular importance.

The implementation of IMF policies alters class alliances and frequently results in declining income which strains the local reproduction of capitalist relations. Strikes, riots and mass movements are frequently results of the adjustment process and occasionally lead to changes in regimes. Paradoxically, there are few, if any, instances of social revolutionary changes. Since the effects of IMF policies strike across class lines they have tended to produce cycles of authoritarian and populist regimes based on multi-class movements usually hegemonised by local business or middle-class groups.

In order to focus on the current impact of the IMF in Latin America it is necessary to review the history of IMF involvement with Western capital and subsequently its relationships with the Third World and the changing nature of IMF policies. We will then develop a typology of IMF-state relationships and explore the theoretical implications of that typology. The impact of contemporary policies will be examined in terms of changes in economic relations and social conflict. Finally, we will outline a course of future investigation.

The IMF: its changing role and policies from the 1950s to the 1970s

The IMF shifted from being primarily a European-oriented to a global agency with the growth of international capitalism. Accompanying its geographical expansion was the widening scope of its field of policy activity: from being a promoter of trade liberalisation it became an active regulator of multiple types of capital between regions of the

world economy. While the IMF was developing its own agenda, its effectiveness in realising its policies was based on the parallel development of converging economic interests within Latin America: the growth of export-oriented national-state and private capital and the establishment of multinational subsidiaries. This convergence of IMF and local capital in the 1960s was part of the process of the internationalisation of capital, a process that was resisted in particular sub-sets of countries, particularly where popular movements and regimes were ascendant.

The relative importance of the IMF has waxed and waned depending on the relative dynamics of other capitalist institutions, the degree of popular mobilisation and the overall strength of the international backers of the IMF. In summary, the factors shaping the role of the IMF in Latin America include: the stage in the growth of world capitalism; the increasing demands of multiple forms of capital expansion; the existence of collaborating groups with convergent interests within Latin America; and the overall expansion and contraction of the world economy. As we will argue below, the IMF's role has become global and central with the internationalisation of capital and during a period of *deepening crisis of world capitalism*. The specificities of historical time and economic conjuncture are crucial to an understanding of the central role that the IMF has come to play in certain Latin American economies.

The IMF was founded as part of the package of institutions and agreements that emerged from the Bretton Woods Conference. During the late 1940s and early 1950s IMF activity was largely confined to Western Europe.¹ During this period IMF activity in the Third World was limited to educational and advisory missions although membership in the Fund restricted state activities which would interfere with movements of international payments.² During the late 1950s and 1960s the IMF took a more activist role toward Third World countries through increased credit drawings under conditionality.³ IMF interventionism linked monetary stabilisation with development, and the development of financial schemes specifically designed to aid 'primary-product-

¹ G Bird, *The International Monetary System and the Less Developed Countries*, London, Macmillan, 1978, p 16.

² *ibid.*, pp 16-17

³ S Lichtensztejn, 'IMF-developing countries: conditionality and strategy', in John Williamson (ed), *IMF Conditionality*, Cambridge, Massachusetts: MIT Press, 1983, p 212.

exporting countries', in particular the Compensatory Financing Facility and the Buffer Stock Financing Facility.⁴

The policy formula of the IMF during the 1950s and 1960s was limited to the liberalisation of trading relationships.⁵ The 'opening-up' of Third World countries involved the reduction of barriers to commodities and foreign capital. But the implementation of this formula by Latin American countries was not uniform.⁶ The populist regime of Brazil resisted the implementation of these policies until it was overthrown by the military and replaced by an authoritarian regime. In addition, the form of foreign capital flows varied: Uruguay and Chile favoured finance capital while Brazil, Mexico, and Argentina 'encouraged' direct investment. Lichtensztejn argues that the implementation of trade liberalisation represented not so much an 'imposition' but an 'implantation' that resulted from the 'convergence' of local and international capitalist interests.⁷

The case of Brazil is particularly interesting. During the 1960s, drawings on the Fund were fairly limited.⁸ IMF stand-by agreements served mainly as a 'seal of approval' for other forms of financial flows and for private investment. Despite the limited role of the IMF, an extremely severe wage policy was implemented by the military regime as part of Brazil's stabilisation programme.⁹ For Brazil the IMF served not so much as an initiator as a facilitator of policy.

In the late 1960s and early 1970s the IMF's influence in Latin America declined.¹⁰ During this period the Bretton Woods international monetary system collapsed as a result of the weakness of the US economy which was strained by commitments in Vietnam. In Latin America increased labour unrest led to the establishment of populist regimes or modifications of existing policies towards redistributive goals. The growth of the transnational banking system and the exponential growth of international trade during this period provided alternative sources of finance for regimes embarking on growth-oriented macro-economic policies.

⁴ Bird, *op. cit.*, pp 18-19.

⁵ Lichtensztejn, *op. cit.*, p 213.

⁶ *ibid.*, pp 213-15.

⁷ *ibid.*

⁸ S Marshall, *et al.*, 'IMF conditionality: the experiences of Argentina, Brazil and Chile', in Williamson (ed), *op. cit.*, p 300.

⁹ E Bacha, 'Vicissitudes of recent stabilization attempts in Brazil and the IMF alternative', in Williamson (ed) *op. cit.*, pp 324-5.

¹⁰ Lichtensztejn, *op. cit.*, p 213.

The growth of international trade set the stage for the debt and balance-of-payments crisis that began in 1973-4 and which has continued with only brief respites to the present. The scale, integration, and concentration of capital and commodity flows has resulted in a system which is extraordinarily sensitive to minor failures in liquidity. For example, in recent months the failure of a small savings and loan bank in Ohio resulted in a run on the dollar in foreign exchange markets. In the late 1970s spiralling interest rates led to massive transfers from Third World to Western bankers. The decline in commodity prices relative to capital imports, the restrictions on trade, the increasing cost of invisible payments, the export of dollars to Europe by local capital, investment in non-productive activities and luxuries by the middle classes all contributed to declining productive capacity relative to the growing size of the debt. The oil shocks of 1973-4 and 1979-80 resulted in a massive transfer of value from oil importers to oil exporters. All of these factors posed a major balance-of-payments problem for many Third World countries.¹¹ During the second oil shock the over-extended international financial markets suffered a loss of confidence and this resulted in a cutback in the flow of capital to Third World countries. The number of 'multilateral debt renegotiations' per year rose from two countries in 1975-6 to eight countries in 1981.¹² The combination of these factors, and the inability of regimes to reduce internal demand provided the circumstances in which the IMF could play an enlarged role in regulating capitalist relations. Between 1979 and 1981 IMF high-conditionality lending 'surged'.¹³ After 1981, IMF lending was reduced 'perversely' at the onset of a major world recession.¹⁴ IMF lending was so sharply curtailed that net new commitments were negative.¹⁵ Williamson suggests that the arrival of the Reagan administration played a role in reduced IMF lending and that this regime was 'markedly less supportive of a major role for the Fund' than the Carter administration.¹⁶

In the autumn of 1985 the Reagan administration proposed new

¹¹ The 'terms of trade of non-oil ldes deteriorated by 15%', between 1974 and 1982 according to T. Killick *et al.*, *The Quest for Economic Stabilisation. The IMF and the Third World*, London Heinemann, 1984, p. 2.

¹² *ibid.*, p. 27.

¹³ J. Williamson, 'The lending policies of the International Monetary Fund', in Williamson (ed) *op. cit.*, pp. 642-5; and Killick *et al.*, *op. cit.*, pp. 151-2.

¹⁴ Williamson, 'Lending policies,' in Williamson (ed), *op. cit.*, p. 647.

¹⁵ G. Helleiner, 'The IMF and Africa in the 1980s', *Essays in International Finance*, no. 152, July 1983, Princeton, New Jersey: Princeton University, International Finance Division, 1983, p. 13.

¹⁶ J. Williamson, 'Lending policies', in Williamson (ed), *op. cit.*, p. 648.

policies which, if adopted, would re-expand the role of the IMF. This shift appears to be a response to the chronic debt crisis of Third World countries and the failure of previous US administration policy to resolve the crisis and its consequences. The new plan recommends both the expansion of IMF lending and the extension of IMF conditionality to the lending of other organisations. The extension of IMF conditionality to other organisations increases the leverage and control of the IMF over policies of recipient countries by limiting their access to alternative resources. The control of alternative resources strengthens the IMF's enforcement capabilities during a period when serious doubts are being raised about the adequacy of austerity. The expansion of lending facilities and strengthening of enforcement increases the likelihood that debts will be repaid and improves the environment (ie lowers the risk) for private lending. The debt crisis has resulted in a reduction in trade between the US and Latin America. The collapse of exports to Latin America from the US from between 1981 and 1983 accounts for 'about 50 per cent of the trade balance deterioration in that time.'¹⁷ Renewed trade requires a re-expansion of private lending, which is possible only when international bankers are assured that debts can or will be repaid.

IMF agreements: preconditions, performance criteria and stabilisation programmes

The main lever through which IMF regulation of national economies takes place is its agreements with recipient countries. It is precisely through the credit mechanism and the conditions which are tied to them that the IMF has been able to enforce the restructuring of the internal relations of production and the flows of capital between the Northern banks and Latin American economies. It is crucial to note however that IMF leverage is not at all times the same: maximum leverage is exhibited in those cases where countries have exhausted their easy credit terms and have the greatest need for refinancing. The ubiquitous role of the IMF is tempered by the level of internal discipline of the recipient country: the greater its prior dependence on outside financing, the greater its vulnerability to the IMF stabilisation programme. IMF regulation is thus conditional on the prior penetration of international capital, the incapacity of the local state to contain the adverse effects and the existence of internal political and social forces willing to pursue

¹⁷ M Karczmar, 'A weaker dollar won't slow imports', *New York Times*, 20 October 1985.

IMF stabilisation measures in order to re-establish the *status quo ante*—a dubious proposition given the counter-productive outcomes resulting from IMF policies.

IMF agreements with recipient countries, while differing in important details, do share some general characteristics. Before identifying these it will be useful to introduce some terminology used by the Fund.¹⁸ The reserve tranche consists of up to 100 per cent of a member's quota to the IMF and can be withdrawn unconditionally. The first credit tranche consists of the next 25 per cent of the quota and is almost unconditional although the recipient must formally show that a need for this financing exists and that some plan has been developed to resolve the balance-of-payments deficit. Other low-conditionality loans include the compensatory financing facility, the buffer-stock financing facility, the oil facilities, and the trust fund. These facilities are provided under special circumstances to developing countries. The high-conditionality loans are composed of the upper credit tranches and the extended facility. The upper credit tranches consist of one-year loans payable over a maximum period of five years. The extended facility provides loans in support of three-year long adjustment payable over a maximum period of ten years. The conditionality of the upper credit tranches takes the following form: the recipient and the IMF negotiate a stand-by agreement which consists of preconditions, performance criteria, and a letter of intent specifying a stabilisation programme.

Since IMF negotiations are conducted in secret it is extremely difficult to determine what has been agreed to except in some exceptional cases.¹⁹ An analysis of unpublished IMF documents reviewing stabilisation programmes provides us with a glimpse into the results of the secret negotiations.²⁰ A review of thirteen IMF programmes indicated that 'exchange rate actions' (devaluations) and an 'interest rate policy' (raising interest rates) were the two most common preconditions.²¹

A country is only required by the agreements to meet the performance criteria. Formally, at least, the recipient is free to ignore the IMF stabilisation programme. However, by establishing unattainable performance criteria the IMF can force a recalcitrant

¹⁸ See J. Williamson, 'The lending facilities of the Fund,' in Williamson (ed), *op. cit.*, pp 662-7; and Killick *et al.*, *op. cit.*, pp 133-41.

¹⁹ For example, Jamaica, which has published its agreements: see Killick, *et al.*, *op. cit.*, pp 141-4.

²⁰ *Ibid.*, pp 190-9, 223, endnote 1.

²¹ *Ibid.*, p 191.

recipient to implement a stabilisation programme. For example, the 1977 stand-by agreement with Jamaica involved reductions in payments deficits and the domestic money supply 'clearly out of proportion to the size of resources directly available from the Fund'.²² According to Sharpley the 1977 agreement was apparently 'a test of the general willingness of the Jamaican authorities to undertake a stabilization program'.²³ Formally, the performance criteria are fairly limited. In addition to 'standard clauses' preventing payment and new import restrictions, 'bilateral trading agreements', and 'new multiple currency arrangements' the agreements set ceilings on the expansion of credit.²⁴ In recent years agreements have also included 'restrictions on new external debt', 'minimum levels for foreign exchange reserves' and, in a few cases, a 'reduction in current payments arrears'.²⁵ Devaluations, while not formally specified in recent agreements, are common although the exact incidence is difficult to determine.²⁶ Contrary to popular belief, the performance criteria of IMF agreements are fairly limited, generally consisting of restraints on credit expansion.

The stabilisation programmes specified in 'letters of intent' contain the content which is most often associated with controversies over IMF programmes. The letters of intent have typically included taxation increases, reductions in the public sector, reductions of 'consumer goods subsidies', wage policies, and other policies directed at pricing and at publicly-owned corporations.²⁷ The letters of intent are not binding on recipient countries, but our understanding of these programmes should not be reduced to a consideration of their formal characteristics. Some regimes use letters of intent as a means of exerting leverage over other social actors. Killick *et al.* cite Panama and Uruguay as examples of countries which negotiated stand-by agreements apparently without needing credit.²⁸ The letters of intent can serve as weapons in ideological battles since they appear as technically objective programmes sanctioned by an important international institution.

²² J Sharpley, 'Economic management and IMF conditionality in Jamaica', in Williamson (ed.), *op. cit.*, p 244; and R Bernal, 'The IMF and class struggle in Jamaica, 1977-1980', *Latin American Perspectives* 11(3) 1984.

²³ *ibid.*, p 245.

²⁴ Killick *et al.*, *op. cit.*, p 191.

²⁵ *ibid.*, p 192.

²⁶ *ibid.*, pp 195-6.

²⁷ *ibid.*, pp 196-7.

²⁸ *ibid.*, p 197.

The ascendancy of the IMF from the mid-1970s to the present: state-IMF relations

The majority of developing countries have utilised IMF credit and the mid-1970s marked the period of greatest use.²⁹ Historically, developing countries in the Western Hemisphere have been the greatest users of IMF credit but in recent years usage has shifted to Africa and Asia.³⁰ In absolute terms the largest users of IMF credit (as of 1979) have been 'India, Argentina, the Philippines, Chile and Pakistan [which have] accounted for 29% of total drawings by developing countries'.³¹ In terms of usage as a percentage of quota the 'largest users' have been (as of 1979) 'Nicaragua, the Philippines, Jamaica, Sri Lanka, Sudan, Chile, and Peru . . .'.³² Later we will examine the experiences of Chile and Argentina more closely. It is perhaps worth noting that all of these major users of IMF credit have been sites of considerable social conflict. Since 1979 Thailand, Turkey, Yugoslavia, several African states, and Brazil and Mexico (since 1983) have emerged as major users of IMF credit.³³

Although the majority of Third World countries have used Fund credit, the scale and the duration of IMF-supported programmes vary greatly. It is extremely misleading to generalise about the use of Fund credit when the experiences vary so widely, as for example between Zaire and Yugoslavia. There is a long continuum between countries where IMF personnel actually participate in significant ways in the day-to-day functioning of government and those whose involvement with the IMF has been limited and short term.

To understand the different impacts that the IMF has on different states it is useful to distinguish three types of IMF-state relations. Based on the degree of IMF control and regulation of the local economy we can identify:

- 1) *Subordination*: direct control by the IMF of critical positions in the local state apparatus to sustain payments in disintegrating economies;
- 2) *Convergence and subordinate agreement*: IMF programmes of stabilisation were introduced and implemented by local state and

²⁹ *ibid.*, p 153

³⁰ *ibid.*, pp 154-5

³¹ *ibid.*, p 155.

³² *ibid.*

³³ IMF, *International Financial Statistics*, 'Usage of Fund Quota Table', 1985.

entrepreneurial groups who share a common politico-economic perspective with the IMF for overcoming the structural crises of relatively developed countries; and

- 3) *Negotiation and resistance*: IMF negotiates with potential recipient but terms are either rejected or significantly modified, either by the regime or subsequently as a result of popular protest, resulting in the withdrawal of credit.

Certain countries, usually African, have been persistent users of high-conditionality credit and have accepted significant intrusions into their sovereignty. For example, Zaire has been a persistent user of IMF credit and has allowed IMF officials to occupy key positions 'in the Bank of Zaire, the Finance Ministry, the Customs Office, and [the planning agency]'.³⁴ These states, according to Gruhn, moved from colonialism to bilateral dependency with the former colonial state, to bilateral dependency with a major world power, to dependency with an international organisation.³⁵ In each case the new relationship appeared as an alternative to the earlier condition of dependency but substantially reproduced dependent structures. It is somewhat debatable whether this scheme can be generalised to all countries in this category. For Zaire, the Mobutu regime has followed a fairly classic course of comprador rule, with the state serving as the means of extracting surplus and redistributing it to non-productive dominant groups locally and internationally. The change in dependent relationships has evolved more in response to systemic changes than as a search by the Mobutu regime for alternatives.

A second category is defined by those states which have accepted IMF credit in response to structural crises resulting in short-term liquidity crises. Local economic and state power centres implement IMF economic policies through local capacities. This category would include Mexico, Brazil, Tanzania, and Kenya. Initially, development policies are advanced and implemented through a seemingly 'autonomous' apparatus. The prolonged duration of crises in these countries and the deep structural contradictions underlying them increase the leverage of the IMF and lessen the margin for local autonomous action. For Mexico and Brazil the existence of alternative sources of foreign financing in the mid-1970s was a double-edged sword; it provided immediate autonomy

³⁴ T. Callaghy, 'The ritual dance of the debt game', *Africa Report* 29(5) 1984, p. 23.

³⁵ Gruhn, 'The recolonization of Africa: international organizations on the march', *Africa Today* 30(4) 1983, pp. 37-48.

but eventually led to the current debt crisis which has forced these countries to go to the IMF in the context of increased IMF regulatory power. The important distinction for us is that these countries have moved from having developed and implemented economic policies autonomously with limited involvement from the IMF to a situation of power-sharing. Consequently, our explanation must emphasise the IMF's changing role in those states. The deep structural crisis reduces the degree of autonomous action of local actors who are oriented 'to the outside' and increases the direct role of the IMF in setting the terms of participation. While the IMF has not always played an important part in shaping development agenda, in times of profound structural crisis even the larger countries with substantial state and local entrepreneurial groups must share the designing of macro-economic practices with the IMF.

The third category is composed of those states which have resisted IMF conditionality and have attempted to forge alternative strategies. In the past Jamaica under Manley (in the last year of his regime), and Chile under Allende, were two cases. More recently, Bolivia under massive pressure from labour and peasant unions has resisted implementing IMF terms. However the opposition has no clear or coherent alternative and resistance has led to hyper-inflation. The election of the conservative Paz Estenssoro in 1985 led to the reintroduction of a severe IMF-style austerity programme with the predictable consequences of general strikes and military displays of force. In the case of the Alfonsín regime in Argentina, initial resistance provoked IMF-enforced bank boycotts forcing the government eventually to accept an IMF-style austerity programme, resulting in increasing unemployment and declining living standards. IMF-state relations were shaped by the degree of labour mobilisation and the degree of linkages between state and labour and more fundamentally the direction of the flow of influence: where the flow goes from the bottom to the top, the lateral influence of the IMF is limited; where the flow is reversed, IMF influence is maximised.

Secondly, the more developed an economy and state structure the less likely is there to be direct intervention by the IMF and subordination of the recipient country. On the other hand, even highly dynamic countries with previous records of 'relatively autonomous' growth are subject to the indirect influence of the IMF over major development agenda items. Negotiations between the state and the IMF in periods of crisis are asymmetrical, providing increasing leverage for

the IMF and greater vulnerability for the bargaining Latin American country.

Thirdly, regimes devoid of labour influence and with links to 'export-oriented groups' and local financial centres are more likely to collaborate with IMF programmes than nationally based productive sectors oriented toward local markets. Though it should be realised that these are not hard and fast lines since to the degree that local national capital finances its production from foreign capital sources and imports its technology it is in no position to break off external financial ties; what is most tempting in these circumstances is for productive classes to adapt to the new externally oriented model of accumulation and shift the costs of adjustment to local wage-earning and salaried groups.

The IMF and the monetarist-structuralist debate

Theoretical justifications and criticisms of IMF practices and monetarist theory are abundant. Despite the breadth and technical nature of this literature the essential arguments can be summarised briefly: The monetarists argue that balance-of-payments problems arise from excess local aggregate demand relative to local supply and to foreign demand of local tradeable goods. The short-term solution to excess local aggregate demand is contractive monetary and fiscal policies. Long-term economic growth requires stabilisation as a precondition and is facilitated by the liberalisation of internal and external trade. Some monetarists also call for expansion of demand in balance-of-payment surplus countries.³⁶ The critics usually adopt some type of structuralist position. They argue that monetarists tend to separate the problems of development from balance-of-payments crises. Development in the Third World has led to certain micro-economic patterns including trading relationships between countries which create long-term imbalances made manifest by balance-of-payment crises. Contractive policies, while necessary in some cases, generally solve the short-term balance-of-payments problems at the cost of restricting development and further exacerbating the contradictions underlying the crises. The assumptions of monetarism are over-simplistic, in this view, because they ignore the historical and systemic contexts of underdevelopment. On the other hand, some of the structuralists are subject to the same

³⁶ J de Larosière, 'Challenges facing the world economy and the role of the International Monetary Fund', *Atlantic Community Quarterly* 22(2) 1984, p 139.

kind of over-generalisation and simplification as their monetarist adversaries.

To illustrate this point, let us look at the case of Jamaica. Bernal argues that controlling integration into the world-economy and an expanded state role in production and distribution is a useful strategy for increasing capital accumulation in underdeveloped countries.³⁷ One way Jamaica controlled integration was through quantitative import restrictions. The IMF argues that it is best to let the market control the amount of imports, trade liberalisation plus devaluation of the local currency will accomplish the dual goals of reducing imports while allowing the free flow of goods. The result of such a policy can, however, lead to shifts in resources to trading activities—to the importation of luxury goods.

But controlling integration into the world-economy is not, by itself, a good thing. Import restrictions may serve to benefit local capitalists who use their profits for non-productive purposes or it may serve a state development plan that reserves foreign exchange resources for the purchase of capital goods. We should not forget that some of the beneficiaries of import substitution in South America and the Caribbean were multinationals which used near-monopoly conditions to extract surpluses in excess of what would have been available at international prices. Therefore, for the case of Jamaica we have to know which imports were restricted, where resources were used alternatively, and to whose benefit.

So, in addition to analysing the 'fine structure' of the productive system we also need to know the 'gross anatomy' of the distribution of economic activity, surpluses and of social wealth in general. What is the distribution of economic activity into productive and non-productive sectors, between private and public sectors, and between foreign and local owners? What did state economic policy consist of, what were its levels of financing and direct investment into production? What are the wage levels, their pattern of distribution and how was social wealth divided between labour and capital, and between consumption and accumulation? What proportion of state spending was divided into collective consumption, the construction of externalities, income to bureaucrats, and to the support of the coercive apparatus? Given this, and some understanding of the path of change due to accumulation, we can then compare this historical alternative to the actual results of trade liberalisation and devaluation.

³⁷ Bernal, *op. cit.*, pp 53-4.

The structural impact of IMF policies

IMF policies have a profound impact on the political institutions, levels of political mobilisation, social inequalities, structure of production and insertion of a national economy into the world economy. There is a pronounced tendency for IMF policies to heighten social tension and depress local industry, while increasing the level of coercion. However, the general destabilising effects of IMF policies have to be analysed together with the state structures which mediate and translate those policies into practice. Those states which have strongly penetrated civil society with a dense network of institutions and organisations (such as Mexico) are better situated to enforce IMF directives despite the extremely regressive nature of the measures. The impact of the IMF measures is then as much influenced by state-civil society relations as it is by their intrinsic nature.

There are few studies which attempt to examine the structural effects of IMF programmes.³⁸ Killick *et al.* have examined the 'effects of Fund programmes on some key macroeconomic variables . . .'.³⁹ While not answering the questions we have raised above, Killick *et al.* conclude that Fund programmes have had a statistically insignificant effect on improving the macro-economic variables.⁴⁰ IMF programmes have had difficulty in reaching stabilisation goals let alone positive effects on development. Even more extraordinary is the lack of 'association between Fund programmes and sustained liberalisation'.⁴¹ Thus, even in monetarist terms, IMF policies cannot be said to have positively improved the economic situation of recipient countries or to have liberalised world trade.

The implementation of IMF programmes requires state actions. Of course, the state, unlike its monetarist ideal, is not some exogenous super-actor existing outside civil society. The state is, on the one hand, an intermediary between foreign capital, banks, local capital, and the popular classes and, on the other, is shaped by those same social agents.

The state can be characterised in two dimensions, the mixture of means being used for legitimation and the state's relationship to civil society. Democratic states tend to achieve legitimation through redistributive and ideological means by constructing a consensus among

³⁸ See Bernal, *op. cit.*, and J Tokman, 'Global monetarism and the destruction of industry', *CEPAL*, no. 23, pp 107-21.

³⁹ Killick *et al.*, *op. cit.*, p 228.

⁴⁰ *ibid.*, pp 264-6.

⁴¹ *ibid.*, p 265.

groups through institutions which regulate negotiations and compromises between antagonistic groups. Authoritarian states tend to achieve legitimation by using coercion to limit or shape dissent by some social groups. The IMF stabilisation programmes with their class-selective austerity programmes, severely depressing wages, income, credits and imports, heighten social and political polarisation and conflict leading to increased repression. In a word, the IMF programmes result in a severe blurring of the distinction between democratic and authoritarian regimes. Elected regimes pursuing IMF stabilisation have in recent years been among the most repressive as the cases of Peru under Belaunde, the Dominican Republic under Blanco and Jamaica under Seaga attest. IMF agreements play an important role in delegitimising elected regimes and increasing the level of coercion while undermining the process of securing a national consensus and the possibility of pursuing redistributive policies. The outcome is built into the class bias present in the 'free market' solutions propounded by IMF ideologues.

An extremely important factor shaping the impact of IMF policies is the relationship between state and private institutions. Some states in Latin America are characterised by relatively limited linkages between institutions while others will have dense linkages. State institutions can be deeply integrated with other institutions and pervade all aspects of social life. States with dense linkages tend to be able to control and channel dissent and conflict with selective use of direct coercion or rapid changes in the redistribution of the surplus while states with weak linkages are either easily destabilised or are forced to resort to more extreme measures of direct coercion or to the cementing of social compromises by relatively large expenditures of surplus. The types of linkages will mediate a state's capacity to respond to opposition to IMF-designed austerity programmes. The mixture of means of legitimation of a regime will determine the form that response will take.

In contemporary Latin America it is possible to observe two different historical patterns of response to IMF austerity packages. In some states, such as Mexico, the state has penetrated deeply throughout civil society, controlling almost all state and local governments and mass associations. Argentina under the military and Chile under Pinochet lack effective penetration of civil society: the opposition is a dominant force among organised labour, students and neighbourhood groups while the military controls the state apparatus. Brazil under the military was an intermediary case, with some influence through its civilian

organisation but still lacking the durable and dense networks of Mexico. As a consequence, the Mexican regime was able to impose one of the harshest austerity programmes in the Third World with a minimum of opposition. On the other hand, the military regimes of Chile, Argentina and Brazil encountered mass, sustained opposition, which in the case of Brazil, at least, forced the regime to renegotiate its terms of agreement with the IMF. The Mexican regime's effective use of the party-state organisation allowed it to combine repression with political manipulation of social groups, while in the military regimes, coercion gave way, at least in the case of Brazil and Argentina, to a change of regimes. In summary, the response of the populace cannot be gauged by the harshness of the austerity programme but by the degree of state legitimacy and the density of linkages with civil society.

In Argentina and Chile the Peronist and Allende regimes of the early 1970s attempted to appeal to a broad alliance of antagonistic classes and rejected IMF-dictated austerity programmes. These alliances were cemented, not by deep linkages between the state and civil institutions, but through concessional state expenditures to class organisations. In avoiding the discipline of the IMF the regimes proceeded to evade imposing their own financial discipline. In Chile loans and credits from the state to the bourgeoisie and petty bourgeoisie were 'channeled through the leadership and organizations of the Right' and contributed to the increase of imports, provoking balance-of-payments difficulties and inflationary pressure.⁴² The social expense of concessional payments to both labour and capital became too high and too difficult to finance with the onset of the first oil shock in 1973. Competition over scarce resources threatened the accumulation process and the class struggle intensified. In Chile the annual inflation rate rose from 22.1 per cent in 1971 to 508 per cent in 1973 and in Argentina it rose from 40.1 per cent in 1974 to 335 per cent in 1975.⁴³ Insofar as these states failed to impose their own form of austerity and control based on their own class commitments, their position became untenable and ended in the establishment of military dictatorships, which were willing and able to implement IMF-style austerity programmes with all of their negative consequences for the masses.

⁴² J Petras, 'Reflections on the Chilean experience: the petty bourgeoisie and the working class', in J Petras (ed), *Critical Perspectives on Imperialism and Social Class in the Third World*, New York: Monthly Review Press, 1978, p 205.

⁴³ S Marshall *et al.*, *op. cit.*, pp 277-8.

The military dictatorships in Chile and Argentina were granted IMF credits in the period after the establishment of their regimes. In 1975 Argentina suffered a \$1,107 million balance-of-payments deficit and in 1976 was granted 260 million SDR from the IMF. Similarly in 1973 Chile had a \$112 million balance-of-payments deficit and was given 79 million SDR in IMF credits.⁴⁴ In both Chile and Argentina ceilings were set on the expansion of bank credit and in Chile interest rates were also monitored by the IMF.⁴⁵ In Chile and Argentina limits were set on credit to the public sector and on government expenditures.⁴⁶ In addition to these measures, balance-of-payments tests were established which required Chile to undertake a substantial devaluation.⁴⁷ The agreement with Chile and the IMF explicitly called for real wage increases and the liberalisation of prices. In 1975 an indexation programme was implemented. However, real wage levels dropped precipitously and did not recover their high level of 1970 thereafter. The IMF did not cut off funding when that criterion was missed. However, inflation was controlled by contractive 'monetary and fiscal policies' which resulted in massive unemployment.⁴⁸ In Argentina, wage increases were implemented at below the rate of inflation.⁴⁹

Because the military dictatorships were in total control of society through terror, torture and disappearances, the implementation of the IMF agreements during the late 1970s was fairly successful. In Argentina liberalisation programmes were implemented and most performance targets were met to the IMF's satisfaction.⁵⁰ In Chile inflation and credit expansion 'greatly exceeded' the IMF's ceilings but liberalisation policies were implemented. Chile succeeded in reducing its balance-of-payments deficit and its obligations to the Fund were repaid. We are told that 'relations between the Fund and Chile since 1974 have been very good' and that Santiago was privileged to be host to IMF representatives during the five-year period following the coup.⁵¹

⁴⁴ *ibid.*, pp 276-8.

⁴⁵ *ibid.*, pp 279-82.

⁴⁶ *ibid.*, p 284.

⁴⁷ *ibid.*, p 286.

⁴⁸ *ibid.*, p 295.

⁴⁹ *ibid.*

⁵⁰ *ibid.*, p 299.

⁵¹ *ibid.*, p 303.

IMF successes and the decline of industry, labour, income and employment

The 'successful' implementation of the IMF programme in Argentina and Chile was accompanied by structural changes that weakened the industrialisation process. Industrial employment in Argentina declined from 32.4 per cent of non-agricultural employment in 1974 to 24.2 per cent in 1981 and in Chile it sank from 24 per cent in 1970-1 to 19.1 per cent in 1981.⁵² The volume of industrial production in Argentina in 1982 was 83 per cent of the 1974 level and in Chile the drop was slightly greater.⁵³ These declines in the manufacturing sector are especially dramatic, according to Tokman, when one considers that in the late 1960s and early 1970s this sector was growing.⁵⁴ In addition, the industrial output of other Latin American countries rose by 3.8 per cent per year between 1974 and 1980.⁵⁵ Since the decline of manufacturing in these countries neither corresponds to the historical trends in these countries, nor to international trends, Tokman states that it 'signifies a disruption of industrial development' that was 'a product of the policies pursued during this period'.⁵⁶

The destruction of industry in these countries involved the liquidation of the productive assets and not merely the accumulation of under-utilised capacity.⁵⁷ In Chile bankruptcies rose from 356 per year in 1975 to 3,521 per year in 1982. In Argentina, during the same period, bankruptcies rose from 46 per year to 142 per year. Contrary to expectations, this did not result in increased concentration—the hardest hit were the largest firms.⁵⁸ Nor was labour moved to more productive activities. In Argentina, approximately 52 per cent of the unemployed manufacturing workers remained unemployed or were employed in 'low-productivity' activities and in Chile 50 per cent remained unemployed and the other half fell into low-productivity activities and government make-work programmes.⁵⁹ In Argentina, employment in the 'informal sector' grew by 25.6 per cent during the 1970s and in Chile the growth rate was 17.9 per cent.⁶⁰ The application of IMF

⁵² Tokman, *op. cit.*, p 107.

⁵³ *Ibid.*, p 108.

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*, pp 108-9.

⁵⁶ *Ibid.*, p 109.

⁵⁷ *Ibid.*, pp 110-12.

⁵⁸ *Ibid.*, p 111.

⁵⁹ *Ibid.*, p 113.

⁶⁰ *Ibid.*, p 113 Table 6.

programmes resulted in a decline in the development of the productive system. IMF regulation of capital had the effect of restructuring the relations between productive and non-productive capital, increasing the latter at the expense of the former. At the same time it restructured the relations between the advanced capitalist countries and these Latin American economies, once more increasing their dependence on foreign manufactured imports and increasing their dependence on the export of primary products.

The relationship between labour and capital during this period also changed. The unit cost of labour declined by 47 per cent in Argentina between 1974 and 1982 and declined by 31 per cent in Chile between 1970 and 1982.⁶¹ Aglietta has argued that changes in the unit labour cost (which he calls the 'real social wage cost') is an inverse indicator of changes in the rate of surplus value.⁶² Since this change in the rate of surplus value does not correspond to increases in industrial output it could be achieved only by heightening the absolute exploitation of the working class. This is supported by the evidence reported above concerning changes in the structure of employment and wage levels.

The dismantling of a broad array of manufacturing enterprises—the deindustrialisation of Chile and Argentina—totally undermines the IMF's notion that its stabilisation programme is a prelude to the reactivation of their economies and the structure of their development. Besides the considerable distance needed to catch up to the 'potential' growth that was lost during the preceding decade, IMF programmes have increased their technological lag behind the newly industrialised countries. Even at the level of reaching IMF stabilisation goals the two countries were not successful. By the 1980s, economic depression was matched by inflation and a serious balance-of-payments crisis. The IMF programmes, through contractionary fiscal and monetary policies, provoked a decline in 'international competitive capacity'. The removal of tariff and other barriers, and a change in incentives encouraged the growth of financial speculation and participation in non-industrial activities. The result was the emergence of economies which were less developed, less competitive, increasingly dependent on new loans, and with increasingly precarious fiscal and financial status.

The IMF programmes, while increasing the rate of exploitation of labour in these countries, undermined industrial capitalists at the

⁶¹ *ibid.*, p. 115.

⁶² M. Aglietta, translated by D. Fernbach, *Theory of Capitalist Regulation. The US Experience*. London: NLB, 1979, p. 90.

expense of finance and foreign capital. It is of little benefit to capitalists to pay low wages if they have no market in which to sell their goods. The contradictory growth of finance capital, based on its parasitic relationship to productive sectors, was ultimately limited by the destruction of manufacturing in Chile and Argentina.

The dominance of financial capital was short-lived in Chile. The speculative bubble of the 1970s collapsed in 1981–2 and almost all of Chile's major private banks faced bankruptcy. The lack of regulation—part of the free-market policies of the Pinochet regime—led to bankers lending capital to themselves to take over firms, to increase their imports, and to channel funds to overseas bank accounts. The imminent collapse of the banking system forced Pinochet toward state intervention. The irony is that more banks are under state control today than was the case during the Allende period, though of course the role and nature of state intervention serves other purposes. Ironically, in the *real world of existing market economies IMF policies have had the effect of creating the very economic relations they ostensibly abhor.*

The incapacity of IMF austerity programmes to stabilise and reactivate the Argentinian economy led the Argentinian junta to seek a military–political success to contain the erosion of its support. The Falklands/Malvinas fiasco, however, merely accelerated its demise and laid the groundwork for the eventual return to an elected regime. In Chile, the failure of the IMF programme has led to a massive upsurge of popular protest, a return to mid-1970s-style state repression (ie torture, kidnappings, and assassinations) and even more generous outlays of IMF and collaborative bank financing. Thus, the political consequences for regimes implementing unsuccessful programmes vary: in the case of Argentina, democratisation; in the Chilean context, polarisation and intensified repression. Already in democratic Argentina the Alfonsín regime's agreement to IMF austerity programmes is leading to increasing unemployment and declining wage levels. The lack of dense linkages with either the labour movement or the military portends difficult times for the Alfonsín regime. The initial support (June–November 1985) engendered by Alfonsín for his austerity programme is not likely to be sustained.⁶³ As wages lag behind price increases and as bankruptcies and unemployment increase it is only a matter of time before the labour movement begins a new round of militant struggle. Lacking the capacity to link economic discipline with internal

⁶³ In late October 1985, Alfonsín was forced to declare a state of siege in the midst of right-wing terror bombings.

transformative changes, the Alfonsín regime is forced to rely on the discipline of the IMF with all of the political costs that this implies.

Conclusion

The cumulative effect of IMF policies is reshaping the global economy. The role of conditionality— austerity programmes tied to new credits— has led to increased flows of funds to metropolitan countries, the undermining of locally owned enterprises and the shrinking of the local market.

IMF policies purport to deal with specific (balance-of-payments) problems but in fact have profound effects on the whole economy. In their broadest forms, IMF policies and debt crises have resulted in a reconcentration of income and productive forces on a world scale. However, the IMF does not act alone nor is it the only force propagating its particular brand of development policies. Local dominant classes are able to use the same criticism of instability to invoke and support economic austerity, thus justifying the reduction of social expenditures and the redistribution of income toward capital. The pivotal institution affecting the introduction and implementation of IMF policies is the state: the collaboration or resistance of national forces is decisive in shaping IMF impact.

The historical impact of the IMF in stabilising economies in Latin America is problematical. For elected regimes—such as the recent cases of Peru under Belaunde, Bolivia under Siles, Manley and now Seaga in Jamaica—the record is abundantly clear: implementation of IMF austerity programmes is inversely related to electoral success. Apart from the electoral process the deeper meaning of austerity is found in the restructuring of the economy—its greater vulnerability to external control—and in the human cost exacted by the disintegration of the social infrastructure constructed in the post-war period. Austerity is the refocusing of the anarchy of the market on to the masses. The political consequences, however, are not as drastic as one might expect. The question may be asked: Can austerity invoke a revolutionary upheaval? The answer up to now has been negative. While regime changes and policy alterations have occurred under mass pressure, the movements to revise IMF policies have been hegemonised by middle-class forces. Austerity affects a broad array of classes which leads attention to be focused on the IMF and its policies and diverts attention from the

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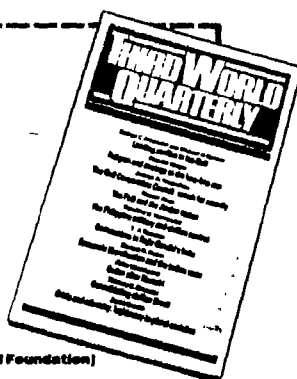


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underlying structural forces that allowed the IMF to become a significant actor in the first place.

The post-war expansion of capital resulted in the growth of the demands of the working class and local capitalists because it provided the space for those demands to be met. The initial success of the working class in meeting its economic goals amplified its demands and eventually threatened the relations underlying the accumulation process. The crisis which followed expansion provided the justification for austerity policies which attempted to readjust relationships and allow the reproduction of capitalist production relations.

But this process is not automatic. The crisis continues and deprivation of labour may have reached its limits. The continued reproduction and extension of the debt crisis-austerity process can lead to movements seeking to redefine relations to banks, the IMF, and the market. To date, the IMF functions to ensure that the crisis does not lead to forced autarchy and the cessation of international trade. The threat is real; the crisis of the 1930s led to the virtual end of international trade and the replacement of economic imperialism with military imperialism. In terms of ensuring the short-term liquidity of capital in international trade, the IMF has been relatively successful, but, as we have seen, the long-term impact of the IMF on development has been disastrous. The measures taken to achieve short-term liquidity have increased long-term risks to the system by increasing inequalities and reducing the ability of the IMF to implement policies. Calls for a new international economic order to address the long-term needs for equality, stabilisation and development have been unsuccessful. No institutional mechanism exists by which the Western capitalist countries could be forced to reduce or would acquiesce in reducing their advantages. The interests of international capital are being met by transferring the costs of global instability on to the deficit countries and their popular classes by limiting IMF credit to amounts merely sufficient for crisis management and by shaping the adjustment policies required to reduce balance-of-payments deficits. In fact the Reagan administration has encouraged, at least in its first years, the reduction of IMF commitments. The increase in IMF resources in 1983-4 was combined with institutional changes limiting the access of individual countries to those resources.⁶⁴ The growth in the militancy of popular classes has been countered by the increased use of the US military and ideological

⁶⁴ R Wood, 'The aid regime and international debt: crisis and structural adjustment', *Development and Change* (16) 1985, p 188.

support for global repressive measures. The development of Latin American countries cannot depend on a hope for an expanded international commitment to long-term stabilisation and development but on fundamental social transformation internally, more selective forms of integration with the world-economy and through the creation of alternative resources for stabilisation and development.

Aid through trade: reforming the international trade regime in the interests of the Least Developed Countries

The most significant change in the international trade regime in the past twenty-five years has been the undermining of its norms of non-discrimination and reciprocity. This has occurred primarily in the trade relations between industrialised and developing countries. On the one hand, there has been a proliferation of informal, discriminatory non-tariff measures against the exports of developing countries. On a more positive note, the principal formal amendment to the GATT has been to the advantage of developing countries in granting them discriminatory tariff preferences without an obligation for reciprocity. A growing awareness of the increasing differentiation which has occurred within the Group of 77 since its formation has led in turn to a second level of discrimination—among LDCs—according to their levels of development.

Measures within GATT in favour of developing countries focused initially on the supply side of their export trade by allowing them special exemptions from tariff reductions on account of developmental and balance-of-payments needs. These were reinforced by the granting of an exemption from the requirement for reciprocity in tariff concessions by the addition of a new Part IV to the GATT in 1965. On the demand side, a waiver in 1971, initially for a ten-year period, of Article I of the treaty permitted the introduction of Generalised System of Preferences (GSP) schemes in violation of the non-discriminatory requirement of according 'most favoured nation' (MFN) status. This waiver was made permanent in an 'enabling clause' added at the time of the conclusion of the Tokyo Round negotiations. For the first time GATT

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also recognised that 'special' treatment could and should be given to the least developed countries (PMA).¹

Since the UN General Assembly designated a group of countries as 'least developed' in 1971, a 'least developed clause' has become part of the litany of international negotiations.² But despite the promise of special measures in their favour, the holding of a special UN conference on their behalf in 1981, and the launching of the Substantial New Programme of Action (SNPA), the economic performance of the PMA as a group over the last fifteen years has been little short of catastrophic. Many countries are currently no better off in terms of per capita GNP than they were in 1960. The gap between their performances and those of other developing—as well as industrialised—countries has continued to widen. Whereas the mean annual rate of growth in per capita for all developing countries was 2.9 per cent in the years 1960–70, and 3.1 per cent in the years 1970–80, the mean figures for the PMA were respectively 0.3 per cent and 0.4 per cent. In 1981 the average per capita income in the PMA was \$227, only slightly over one-fifth of the average for all developing countries.³

Certainly, the capricious behaviour of governments in some least developed countries has contributed to their poor economic performance. PMA economies, already particularly vulnerable to natural vicissitudes, have had more than their share of human-induced disasters. Ultimately, as the SNPA emphasises, measures in their favour on the part of the international community will only succeed if accompanied by the necessary domestic policy reforms. Primary responsibility for their future development rests with the PMA states themselves. A compelling case can be made, however, that the vicious

¹ Finding a suitable acronym for the least developed countries is problematic. UNCTAD uses 'LDCs' which tends to be confusing given the conventional application of LDC to all less developed countries. The EEC uses 'LDC' which not only has no logical connection with the word 'least' but is again apt to confuse when the acronym LDC is employed at the same time. In an attempt to minimise the problem, I have employed the French acronym for the least developed, PMA (les pays les moins avancés).

² The first resolution suggesting specific measures in favour of the least developed countries was adopted by UNCTAD in New Delhi in 1968. The initial list of twenty-four least developed countries adopted by the UN General Assembly in 1971 included Afghanistan, Benin, Bhutan, Botswana, Burundi, Chad, Ethiopia, Guinea, Haiti, the Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta (now Burkina Faso), Samoa and the Yemen Arab Republic. In 1975 four countries were added (Bangladesh, Central African Republic, Democratic Yemen and The Gambia); in 1977 Cape Verde and the Comoros; in 1981 Guinea-Bissau; and in 1981 Djibouti, Equatorial Guinea, São Tomé and Príncipe, Sierra Leone and Togo to complete the current list of thirty-six.

³ UNCTAD, *The Least Developed Countries 1984 Report*, New York: United Nations, 1984 (TD/B/1027) p. 3.

circle of economic and political instability in which many of the PMA are entwined is not entirely of their own making. They have been, for instance, among the principal victims of commodity price instability. Whatever the causes of their current plight, there is general agreement that sustained improvement in their economies will be possible only if domestic reform is supported by increased international assistance. To date, this has not been forthcoming. To the original criticisms that the SNPA was neither substantial nor new, one can add that there has been very little action since the Paris conference. Recent cutbacks in IDA funding and in the World Bank's sub-Saharan Africa facility are not propitious for the future.

To some, the plight of the PMA and their failure to participate effectively in the expansion of world trade has suggested a new form of triage; whereas the more advanced developing countries can be assisted through trade measures, action on behalf of the least developed should be confined to overseas development assistance, the assumption being that the PMA are incapable of taking advantage of trade preferences.⁴ This paper rejects this line of reasoning. While the PMA certainly need increased development assistance, the long-term viability of these countries depends upon their participating more fully in the expansion of world trade. All the evidence supports the view that trade is indeed the handmaiden of growth.⁵ If the least developed countries had achieved an additional 5 per cent growth in the value of their exports in 1983 (not a large increase in historical perspective—all non-oil-exporting developing countries enjoyed an average increase in export earnings of 21.3 per cent in 1970–80 compared to the mean for the PMA group of 13.1 per cent) an extra \$350 million in foreign exchange would have been earned. Sustained over three years, this increase alone would generate more revenue than the World Bank will provide through its sub-Saharan Africa facility.

The poor growth performance of the PMA can be attributed in large part to their lack of success in increasing their exports over the last two decades. Trade preferences cannot in themselves be expected to

⁴ This increasingly appears to have been the attitude of the EEC in its relations with the ACP Group (which contains twenty-seven of the thirty-six designated least developed countries). In the transition from the first to the third Lomé Convention, there has been a significant change in emphasis from trade to aid.

⁵ Carlos F Díaz-Alejandro and Gerald K Helleiner, *Handmaiden in Distress. World Trade in the 1980s*. Washington DC: Overseas Development Council, 1982. This theme is reinforced by the evidence presented by advocates of export-oriented industrialisation. For example, Anne O rueger, *Foreign Trade Regimes and Economic Development*, Cambridge, Mass.: Ballinger, 1978, and the World Bank's annual *World Development Report*.

produce a dramatic transformation of the economies of the PMA in the foreseeable future. Improved compensatory finance and additional development assistance will be necessary if the PMA are to reverse their disastrous economic performances of the last two decades. Nevertheless, if the security of trade advantages is assured, the PMA will at least be offered an opportunity to compete more effectively in international markets, to attract additional investment, and to reduce their dependence on foreign aid—all predicated on the assumption that the necessary reforms in domestic economic policy will be undertaken.

This article first examines the reasons for the recent poor trade performance of the PMA; it then considers the measures that might be taken to reform the international trade regime in the interests of the least developed. These include, first, measures to promote the diversification of exports from the PMA by granting their exports of processed and manufactured goods preferences over those from *both* industrialised *and* other developing countries and, secondly, measures to stabilise and increase their earnings from their existing exports.

The Least Developed Countries in world trade

Designation of a country as 'least developed', as UNCTAD admits, has been 'somewhat arbitrary'.⁶ In constructing its original list of twenty-four countries, the UN's Committee on Development Planning considered three criteria: a) a per capita income of less than \$100 (in 1960 dollars—currently equivalent to more than \$350); b) a share of manufacturing in GDP of no more than 10 per cent; c) an adult literacy rate of no more than 20 per cent. Least developed country designation has become a sought-after status given the prospect that it will bring additional concessions in the fields of both aid and trade (although Malawi initially rejected the designation, apparently considering it demeaning and fearing that it would have negative repercussions on foreign investment). Unlike membership of the Group of 77, least-developed status is not self-selected; Djibouti, the Seychelles, Senegal and Liberia have all had applications to join the least developed club turned down (although Djibouti was subsequently admitted). There are certainly a number of countries (particularly in sub-Saharan Africa) that could be added to the list without damaging its integrity. Meanwhile the circumstances of some countries have improved considerably since

⁶ UNCTAD, *The Least Developed Countries and Action in their Favour by the International Community*, New York: United Nations, 1983 (A/CONF. 104/2/Rev. 1), p. 26.

the original list was devised (e.g., Botswana, where mineral exports have increased significantly). No country has yet been removed from the list; should this graduation prove necessary it will be particularly controversial. While the cut-off point for least developed status remains arbitrary and the distinction between the group and other low-income countries is blurred, there is clearly a wide gap between the socio-economic characteristics and economic performance of these low-income countries, on the one hand, and middle-income developing countries.⁷

That the majority of the PMA are African is surely no accident. Africa was the least developed of the non-Western areas at the time of its colonisation; the African region was the last to be decolonised. While colonial powers did not always discourage processing of raw materials and the establishment of manufacturing industries, they did little actively to encourage it. Latecomers to independence, African countries were also latecomers to manufacturing production. When they gained their political independence, these countries found that export markets for the types of simple, labour-intensive manufactures that they might feasibly undertake were already becoming saturated by exports from other countries.

Most of the PMA group gained their sovereignty in the late 1950s and early 1960s. At that time they were heavily dependent on the markets of the former colonial metropolises for the export of their raw materials and agricultural products. Patterns of trade were long established, having been fostered by preferential trade arrangements such as the Commonwealth Preference Scheme, restrictive currency areas such as the franc zone, and, more directly, mercantilist policies of managed markets as was typical of France's relations with its colonies prior to the establishment of the European Economic Community. Although some trade diversification has taken place over the last twenty-five years, the continued importance of these traditional markets is seen in the dominant role of the EEC in PMA exports. In 1982 the PMA were nearly twice as dependent on the EEC market than all non-OPEC developing countries (see Table 1).

Almost simultaneously with the achievement of independence,

⁷ For additional discussion on the criteria for membership in the least developed group see Thomas G Weiss and Anthony Jennings, 'What are the Least Developed Countries and what benefits may result from the Paris Conference?' *World Development* 11(4) April 1983, pp 337-57; and Shahid Qadir, 'UN Conference on the Least Developed Countries, neither breakthrough nor breakdown', *Third World Quarterly* 4(1) January 1982, p 134.

Table 1: Geographical distribution of exports (percentages)

	EEC		EFTA		Japan		US		Developing countries		Socialist countries	
	1970	1982	1970	1982	1970	1982	1970	1982	1970	1982	1970	1982
PMA	36.4	36.0	2.3	2.3	4.6	3.4	13.1	16.0	25.2	27.9	9.2	10.5
All developing countries except OPEC	29.3	18.7	3.5	2.0	9.8	9.6	22.7	24.8	20.2	30.5	8.5	8.3

Source: UNCTAD, *The Least Developed Countries 1984 Report*, New York: UN, 1984

however, the protected position of these countries in their traditional markets began to be eroded. Successive rounds of multilateral trade negotiations within GATT led to a general lowering of tariffs, thereby weakening the position of countries which enjoyed duty-free preferential access to particular markets. Within the EEC, member-states with a more globalist outlook, most notably West Germany and the Netherlands, succeeded in reducing the common external tariff on items of interest to their additional LDC trading partners, moves that came at the expense of the (usually lower income) countries associated with the EEC through the Yaoundé Conventions. Subsequently, the introduction of GSP schemes and, particularly in the case of the EEC, their extension to include agricultural products that were non-competitive with domestic production, increasingly offered other developing countries similar access for their exports to those of traditional preferential partners.⁸

The experience of the last fifteen years suggests that the PMA are unable to compete in international trade when placed on an equal footing with middle-income developing countries. As a result, in UNCTAD's terminology, there has been an increasing marginalisation of these countries in world trade. By 1980 their share in global trade was only one quarter of that enjoyed in 1950: a fall from 1.6 per cent to 0.8 per cent in 1970 was followed by a further decline to 0.4 per cent in 1980.⁹ There are two principal reasons for this: the commodity composition of PMA exports and the loss of their market shares in their principal commodity exports to the more advanced developing countries.

⁸ This process context is examined in John Ravenhill, *Collective Clientelism: The Lomé Conventions and North-South Relations*, New York: Columbia University Press, 1985, Chapters 2 and 4.

⁹ UNCTAD, *The Least Developed Countries 1984 Report*, *op. cit.*, p. 39.

Most important of the factors contributing to the marginalisation of the PMA in world trade is the commodity composition of their exports. Since World War II the most dynamic sector of world trade has been manufactured goods. For the PMA as a group, however, manufactured products constituted only 14 per cent of their exports in 1980, a figure merely 2 per cent above that sector's share in 1961. Seventeen of the group, however, had negligible manufactured exports (less than 3 per cent of their total export value). In contrast, the mean share of manufactures in the exports of all non-OPEC developing countries rose from 23.3 per cent in 1970 to 37 per cent in 1980. Whereas the PMA only doubled the value of their manufactured exports in the 1970-80 period, that of non-oil developing countries as a group increased more than tenfold.¹⁰ Manufacturing accounts for an average of 8 per cent of GDP in the PMA compared to 17 per cent in all developing countries; in per capita terms, manufacturing value added in the PMA is only one-tenth of the average for all developing countries.¹¹

The PMA group still depend on food and agricultural raw materials for 57 per cent of the value of their exports (compared to a mean of under 30 per cent for all non-OPEC LDCs). For many of these products, the volume of world trade is growing only slowly. Over the years 1961-80 the volume of world trade for their two most valuable exports, coffee and cotton, increased by only 1.3 per cent and 1.0 per cent respectively on average each year. Of their next two most valuable agricultural exports in 1961, jute and groundnuts, the volume of world trade *declined* by almost one half in the following two decades, an annual decline of about 4 per cent. As a result, the principal increase in export earnings for the PMA over the last two decades has been derived from price rises: UNCTAD estimates that the volume of PMA exports increased by 60 per cent in the 1960-80 period whereas their unit value rose threefold. This, however, was still below the increase in the value of their imports with the result that the PMA suffered a significant deterioration of their terms of trade in this period.¹² UNCTAD data also show a coefficient of export-earnings instability for the PMA group substantially more than the mean for all developing countries.¹³ A principal reason is that only two commodities account for 50 per cent or more of the exports of thirty of the least developed group.

¹⁰ *ibid.*, pp 50-1.

¹¹ UNCTAD, *The Least Developed Countries and Action in Their Favour*, op. cit., p 71

¹² UNCTAD, *The Least Developed Countries 1984 Report*, op. cit., pp 42-5.

¹³ *ibid.*, p. 56.

Loss of market shares to middle-income developing countries has been the other major cause of the poor trade performance of the PMA. This is reflected in the data in Table 2. Of the principal agricultural exports of the PMA listed there, the share of the PMA in total developing country exports of these products in the period 1970 to 1980 declined for all commodities except sugar (an anomaly examined later in this article). A number of factors explain these declining market shares. Some of the middle-income LDCs, e.g., Brazil and Malaysia, have invested heavily in agricultural production, perceiving agricultural exports as a means of financing the capital goods imports essential to their development plans. In the process, they have become far more efficient producers of some agricultural products than the PMA; they often have better contacts with transnational marketing companies, and are more proficient at quality control. To assume that the PMA necessarily have a comparative advantage in the export of agricultural products is mistaken.¹⁴ In contrast, many of the governments of the PMA, especially those in African countries, have been guilty of anti-agricultural bias in their economic policies. Whatever the short-term political rationality underlying overvalued exchange rates and unfavourable rural-urban terms of trade, their principal effect has been to cause a decline in the production of crops for the world market.¹⁵ As a group, the PMA have moved from a position of being net exporters of food in the early 1960s to significant net importers. Finally, part of the explanation lies in the natural disasters that have beset some of the PMA, especially the countries of the Sahel and their neighbours in West Africa.

As a consequence of their poor export performance, and of the increase in prices of their principal imports, the PMA have experienced large current account deficits. Matters were exacerbated by the price declines experienced by many of their exports in the early 1980s. This has had a number of repercussions. In that many of their imports are necessities—fuel and foodstuffs account on average for over 35 per cent of the total—attempts to reduce current account deficits by curtailment of imports have frequently led to shortages of spare parts for domestic manufacturing industries which, consequently, have seldom operate

¹⁴ I make this case in more detail in discussing the World Bank's *Accelerated Development Sub-Saharan Africa* in 'Africa's continuing crises: the elusiveness of development' in Jol Ravenhill (ed) *Africa in Economic Crisis*, New York: Columbia University Press, and London: Macmillan, 1986, Chapter 1.

¹⁵ Carl K Eicher, 'Facing Up to Africa's food crisis' in *ibid.*, Chapter 6; World Bank, *Accelerated Development*, *op. cit.*

Table 2: Share of PMA in developing countries' exports of agricultural commodities 1970-80 (percentages)

	1970	1975	1980
Coffee (16.0%*)	11.0	10.9	8.6
Cotton (8.5%)	17.2	12.7	11.7
Oil seeds and vegetable oils (2.9%)	11.4	8.6	3.2
Jute (2.3%)	52.4	41.1	47.1
Tea (1.7%)	15.6	9.3	7.5
Cocoa (1.3%)	2.9	1.4	1.6
Sugar (1.1%)	0.4	0.4	0.7
Timber (0.7%)	1.8	1.3	0.9
Hard fibres (0.5%)	22.3	21.2	18.0
Bananas (n.a.)	3.3	1.9	0.8

* denotes percentage share of that commodity in total PMA exports in 1980.
n.a.: not available

Source: UNCTAD, *The Least Developed Countries 1984 Report*, New York: UN, 1984, Vol I, p 63 and Vol II, p 19.

at close to full capacity. The value of PMA imports in 1983 was 10 per cent below the 1980 level. Secondly, despite the lack of access of most PMA to private lending, there has been a significant rise in the external indebtedness of the PMA; between 1978 and 1982 the total outstanding medium and long-term debt of the group increased by 68 per cent to \$26.2 billion. In the same period the debt service payments rose from 11 per cent to 15 per cent of the group's export earnings. Many of the group will face acute debt servicing problems for the remainder of the decade. Private investment flows, which have declined since the mid-1970s, will offer little relief. Thirdly, the PMA have become increasingly dependent on overseas development assistance. By 1980 the group's receipts from development assistance exceeded the value of its export earnings. In 1982 exports covered only 42 per cent of the value of imports. If this trend towards ever-increasing dependence on aid is to be reversed the PMA will have to achieve a significant increase in their export purchasing power.

Table 3: Comparison of GSP coverage and usage for PMA and all beneficiaries

	PMA GROUP			ALL BENEFICIARIES			
	MFN Dutiable ¹	GSP Coverage ²	GSP Take-up ³	GSP/ MFN ⁴	MFN Dutiable	GSP Coverage	GSP/ Take-up
Austria (1981)	33.3% (\$4.7m)	89.4%	21.4%	19.1%	86.4% (\$2352.9m)	94.2%	11.3%
Canada (1982)	7.6% (\$2.7m)	77.8%	19.0%	14.8%	34.5% (\$1950.9m)	56.8%	69.8%
EEC (1981)	67.5% (\$266.8m)	89.7%	62.9%	56.5%	27.7% (\$30.786.8m)	77.9%	37.6%
Japan (1982/3)	21.2% (\$47.2m)	16.1%	57.0%	10.4%	48.4% (\$13.876.9m)	64.0%	59.9%
Norway (1981)	16.3% (\$0.8m)	100%	37.5%	37.5%	25.0% (\$296.2m)	43.3%	52.1%
Sweden (1981)	20.5% (\$2.7m)	18.5%	60.0%	11.1%	21.2% (\$821.5m)	48.1%	68.9%
Switzerland (1982)	92.5% (\$47.9m)	49.7%	42.0%	20.9%	96.5% (\$2751.6m)	42.9%	38.1%
USA (1982)	34.1% (\$287.7m)	53.4%	31.2%	16.6%	84.2% (\$65.925.3m)	26.4%	48.3%

¹ MFN Dutiable: Percentage of total imports subject to MFN duties. Figures in parentheses refer to the value of imports subject to MFN duties.

² GSP Coverage: Percentage of MFN dutiable imports eligible for GSP treatment.

³ GSP Take-up: Imports actually admitted under GSP scheme as a percentage of imports eligible for GSP treatment.

⁴ GSP/MFN: Percentage of imports subject to MFN duties actually admitted under GSP scheme.

Source: Calculated from data in UNCTAD *Ninth General Report on the Implementation of the Generalised System of Preferences* (TD/B/C 5/96) Geneva: UNCTAD, 20 February 1985, Annexes II & III.

Can trade measures help?

Sceptics who have questioned whether preferential trade measures will be of value to the least developed countries have put forward four principal lines of argument. The first asserts that the exports of least developed countries generally are not subject to trade barriers: being primarily agricultural products and raw materials, they enter markets duty-free. A second argument questions whether trade preferences are of any value in the contemporary world economy, given the generally low level of tariffs. The third line of reasoning proposes that all developing countries would be better off if MFN duties were lowered: rather than concentrating on gaining special treatment, developing countries should rather seek a general lowering of tariffs. The fourth argument suggests that even if in principle trade preferences could assist the least developed, these countries are incapable of taking advantage of them.

Trade barriers

The argument that PMA exports do not face significant trade barriers can be dismissed on two grounds: most importantly, it has little factual basis and, secondly, even to the limited extent that it is an accurate characterisation of the prevailing situation, the argument rests on static assumptions regarding the nature of least developed countries' exports.

Table 3 belies the sometimes popular notion that all exports from least developed countries enjoy duty-free access to industrialised countries' markets. Data presented there, the latest available from UNCTAD, show the percentage of PMA exports subject to MFN duties ranged from a low of 7.6 per cent in Canada to 92.5 per cent in Switzerland. The weighted mean for the group of countries in the table was 44.7 per cent. Tariff exemptions arising from the provisions of the various generalised systems of preference achieve no more than a partial removal of the barriers to PMA exports. The percentage of MFN dutiable imports included within the GSP schemes ranges from a low of 16.1 per cent in Japan to the 100 per cent coverage provided by Norway's scheme. These figures, however, are hypothetical maxima which have seldom been realised since the GSP was introduced. More relevant is the actual utilisation of the access afforded by the scheme (imports under the schemes as a percentage of potential total import coverage) shown in column 4 of the table. Again there were significant variations between donors, ranging from 19 per cent for the

Canadian scheme to over 60 per cent for the EEC and Swedish GSP. The last column reports the value of imports admitted under the GSP as a percentage of total imports subject to MFN duties. On average, fewer than one-quarter of PMA exports subject to MFN duties actually enter OECD markets duty-free under the various GSP schemes.¹⁶

Comparable data for all developing countries are also presented in Table 3 in order to permit an assessment of whether the PMA enjoy better terms of access for their exports than other developing countries. In general, a smaller percentage of PMA exports than those of other developing countries is MFN dutiable. PMA dutiable exports were also more likely to be accorded GSP coverage (with the exceptions of Austria, Japan, and Sweden). In five of the eight cases, including their two largest markets (the EEC and the US) but not their third (Japan), a larger proportion of MFN dutiable imports from the PMA entered duty-free under the GSP than was true for all developing countries. But it was also the case in five of the eight countries that the PMA were less successful in exploiting the schemes than were other developing countries. Although this table provides some evidence of more generous treatment for the exports of the least developed, the relationship is by no means as strong as might have been expected.¹⁷

The reasons for the restricted coverage and limited take-up of GSP preferences have been extensively documented. These apply with even more force to the least developed countries and explain why they have been less successful than other developing countries in making use of the schemes. Firstly, most of the schemes exclude, *ab initio*, products that are regarded as sensitive by donor countries. Typically, these are agricultural products in potential competition with domestic production, and labour-intensive manufactures such as clothing, footwear and textiles. Unfortunately, from the PMA perspective, these are the very products which either they currently export or which they

¹⁶ The data in the table permit a quick calculation of the value and percentage of PMA imports that were subject to MFN duties. For instance, for the USA, 16.6 per cent of dutiable imports entered under the GSP scheme. 83.4 per cent of MFN dutiable imports were actually subject to duty. This amounts to $34.1 \text{ per cent} \times 0.834 = 28.4 \text{ per cent}$ of total US imports from the PMA, goods to the value of \$239.9m in 1982.

¹⁷ This finding accords with other examinations of GSP schemes. Sapir and Lundberg for instance, report that in the US GSP, the share of GSP-eligible imports in total imports and the percentage margin of preferences have little relation to per capita income. Quoted in Jere R Behrman, 'Rethinking global negotiations: trade' in Jagdish N Bhagwati and John Gerard Ruggie (eds) *Power, Passions and Purpose*, Cambridge, Mass.: MIT Press, 1984 p 244. As will be discussed below, however, several countries have improved their GSP schemes for the least developed in the past few years.

might feasibly export in the near future given their very low levels of industrialisation.

Secondly, many of the products included within the schemes are subject to value, volume and/or country quotas. Where ceilings are placed on the value of imports of a product to benefit from GSP treatment, as in the EEC and Japanese schemes, considerable uncertainty is introduced into the operation of the GSP. Typically, there is a scramble among potential suppliers to be the first to fill the quotas. Least developed countries, given the small size of their bureaucracies and their lack of expertise, are seldom well-equipped for this competition. In that these quotas are closely linked to existing quantities supplied (and thus can be met without difficulty from the established suppliers, many of which have considerable surplus capacity), there is no incentive for latecomers to the market, such as the least developed, to invest in the production of these goods.

Country quotas such as the US provisions for graduation of suppliers of more than a specified percentage or value of imports of a product have placed further limitations on product and country coverage. Incredible as it seems, four least developed countries (Bangladesh, Botswana, Haiti, and the Maldives) were all graduated at one time from the US GSP on the grounds of their lack of 'competitive need'.¹⁸ The other major limitation on the schemes—their restrictive rules of origin—have probably had a more significant negative effect on the least developed group than on most other developing countries. Requirements that a certain percentage of value be added locally (often 50–60 per cent) and/or substantial transformation occur such that the manufactured product is classified under a different tariff heading, are clearly beyond the capacity of many of the resource-poor least developed given their small industrial base.¹⁹ In addition, many of the

¹⁸ In 1982, for instance, 37 per cent of GSP-eligible exports from Bangladesh and 25.6 per cent of these from Haiti were excluded from the US GSP on the grounds that the products from these countries exceeded competitive needs limits. UNCTAD, *Eighth General Report on the Implementation of the Generalized System of Preferences* (TD/B/C.5/90), Geneva, 26 March 1984, Annex II, p. 3.

Least developed countries have been exempted from the competitive needs provisions of the revised US GSP which entered into force in January 1985. The new US scheme, however, continues to completely exclude four least developed countries—Afghanistan, Ethiopia, the Lao People's Democratic Republic and Democratic Yemen—on political grounds.

¹⁹ The problems that low-income countries face in complying with rules of origin have been extensively documented in the context of the Lomé Convention (whose rules are identical to those that the EEC employs for its GSP scheme). See, for example, Matthew McQueen, 'Lomé and the protective effect of rules of origin' *Journal of World Trade Law* 16(2) March–April, 1982, and Ravenhill, *Collective Clientelism*, *op. cit.*, Chapter 4.

procedures for complying with the rules of origin—particularly those of the US scheme—are so complex that they are themselves often regarded as non-tariff barriers.

Since the adoption of the SNPA, industrialised countries have made a number of improvements in their GSP schemes in favour of the least developed. Typically, these have exempted the PMA from quotas through an assurance of unlimited access for products covered by the scheme. This removes their vulnerability to both country and overall volume ceilings. Other limitations of the schemes, especially product exclusions and rules of origin, continue to apply. Meanwhile, other policy measures of the industrialised countries, especially the continuing imposition of consumption taxes on, for example, tropical beverages, have the effect of considerably reducing demand for commodities of special interest to the least developed.

For many economists the most important contemporary impediments to developing countries achieving an increase in their exports are not tariffs but non-tariff barriers (NTBs). Table 4 provides estimates of the proportion of exports from least developed countries subject to non-tariff barriers. According to this data collected by UNCTAD, as much as 27 per cent of current PMA total exports are subject to non-tariff barriers. Most of this figure is attributable to volume restraints on agricultural exports, particularly in Western Europe resulting from the European Community's Common Agricultural Policy.

Industrial exports from the PMA have fared far better. To dwell at length on the small share of PMA industrial exports subject to NTBs, however, would be to adopt a rigid approach. Like other developing countries, the PMA have suffered from the uncertainty generated in the international trading regime as a result of the proliferation of NTBs. As latecomers to manufacturing for international markets, they are in particular need of a guarantee for future outlets for their products if they are to attract the necessary investments in their domestic manufacturing sector. Uncertainty of future access for their products to the markets of industrialised countries, as the World Bank points out, quite likely has had a more detrimental effect on latecomers to manufacturing production than on countries which have already established their export-oriented industries:

The worst result of the increased protectionism may be a greater unwillingness on the part of many developing countries to risk more outward-looking trade policies, even where these are urgently needed . . . Partly for this reason, and

Table 4: Share of imports from the PMA subject to selected direct import control measures (1983) (percentages)

Importer	ALL PRODUCTS			FOOD PRODUCTS			INDUSTRIAL PRODUCTS		
	Volume restraints	Price controls	Surveillance* mechanisms	Volume restraints	Price controls	Surveillance mechanisms	Volume restraints	Price controls	Surveillance mechanisms
Austria	34.5	0.1	-	73.6	0.3	-	7.7	-	-
EEC**	25.5	0.4	4.1	47.3	0.7	a	0.2	a	11.9
Japan	10.9	-	-	18.6	-	-	-	-	-
Norway	5.5	-	-	10.0	-	-	0.8	-	-
Sweden	13.9	-	44.8	20.7	-	-	-	-	-
Switzerland	0.7	-	-	1.2	-	80.0	0.2	-	1.7
USA	2.4	-	-	5.8	-	-	-	-	-
TOTAL	27.1	0.4	4.6	35.1	0.5	1.1	0.2	a	8.4

* Imports receiving automatic authorisations but subject to price and/or volume surveillance. These measures are designed to facilitate action to regulate the prices and volume of imports should this be deemed necessary by the importing country. Since these measures create uncertainty and encourage exporters to exercise self-restraint, UNCTAD considers them to have the effect of non-tariff barriers.

** Excludes Greece

a Less than 0.1%

Source: Derived from UNCTAD, *The Least Developed Countries 1984 Report*, p 75.

partly because very low quotas are being imposed on new entrants in such obvious first industries as textiles and clothing, the adverse effects of heightened protectionism may be felt more by the poorer and less successful developing countries than by the most successful and vigorous targets.²⁰

The little evidence that is available regarding PMA manufacturing suggests that these countries are, not surprisingly, following the long-established development pattern of initially producing labour-intensive manufactures in industries where technologies are mature.²¹ Those PMA that have succeeded in exporting large quantities of manufactured goods (other than processed mineral products) have predominantly produced textiles (Bangladesh and Nepal) and clothing and sporting goods (Haiti), the 'sensitive' goods which have been excluded from GSP schemes and/or subjected to non-tariff barriers. In the present trade regime, the PMA have no more certain access for their exports of these products than have other developing countries. And, because of their relatively unsophisticated industrial structures, and the lack of expertise of their bureaucracies, the least developed can be expected to be less proficient than the NICs at circumventing NTBs.²²

The accuracy of the World Bank's comments was shown clearly in the European Community's response to an increase in exports of woollen manufactures from the African, Caribbean and Pacific (ACP) Group associated with it through the Lomé Conventions. Despite the 'privileged' nature of the relationship that the EEC states it has created for the ACP (supposedly freeing their exports of manufactures from all tariff and non-tariff barriers), and despite the ACP Group's low levels of development and very small share of the EEC market, the Community negotiated a voluntary export restraint with Mauritius and found it necessary to warn the ACP Group that their exports to the EEC were being closely monitored. According to Community representatives, ACP countries (which include the majority of the PMA), could not be expected to be treated differently in the EEC's 'global' policy towards imports of sensitive products. This undoubtedly has encouraged other developing countries to insist that members of the

²⁰ World Bank, *World Development Report 1979*, New York: Oxford University Press, 1979, p. 22.

²¹ This pattern, pursued first by Japan and then by the newly industrialising countries, is now being followed by a group of 'New Exporting Countries' which succeeded in rapidly expanding their exports of manufactured goods in the 1970s. See Oli Havrylyshyn and Iraj Alikhani, 'Is there cause for export optimism? An inquiry into the existence of a second generation of successful exporters', *Weltwirtschaftliches Archiv* 118(4) (1982) pp 651-63.

²² For an analysis of the strategies employed by the NICs to circumvent NTBs, see David B Yoffie, *Power and Protectionism*, New York: Columbia University Press, 1983.

PMA group be included in discussions on orderly marketing arrangements, e.g., Tanzania in talks with the EEC on exports of rope and string.²³

Preferential margins

A second line of reasoning against offering trading preferences to the least developed is based on the argument that tariff and other barriers in the contemporary international trade regime are so low that the margin of preference that can be offered is so small as to have no significant effect on trade. I have already suggested above that the position of the PMA in their traditional markets has been adversely affected by the reduction in their preferential margins. There is, however, a major leap from acknowledging this to suggesting that either existing or potential margins of preference have no significance at all.

The percentage of trade of developing countries in general, and the PMA in particular, which is subject to MFN duties has already been presented in Table 3. While it is the case that the various rounds of multilateral trade negotiations within GATT have reduced the tariffs faced by the products of developing countries, it is well established that their exports face higher tariff barriers than those of industrialised countries. The World Bank acknowledged, for instance, that 'the Tokyo Round tariff cuts discriminate against developing countries'.²⁴ When the Tokyo Round reductions are completely implemented, the weighted average tariff faced by the semi-finished and finished manufactures from developing countries will be 8.7 per cent in the US in comparison to a weighted average of 4.9 per cent for imports of these products from all sources. The equivalent figures for the EEC are 6.8 per cent and 5.4 per cent respectively; for Japan, 6.7 per cent and 6.0 per cent. Average tariffs on products regarded as 'sensitive' are much higher. For all developed countries combined, the weighted average tariff post-Tokyo Round for finished manufactures of textiles and clothing will be 16.7 per cent; for leather, footwear, rubber and travel goods 10.2 per cent.²⁵

Escalation of tariffs according to degree of fabrication continues to be a prominent feature of the international trade regime. For the major

²³ The ACP Group's experience in exporting 'sensitive' products to the EEC is detailed in Ravenhill, *Collective Clientelism*, pp 171-81.

²⁴ *World Development Report 1979*, op. cit., p 22.

²⁵ Bela and Carol Balassa, 'Industrial protection in the developed countries', *The World Economy* 7(2) (June 1984) p 181.

developed countries, the post-Tokyo Round average tariffs are 0.5 per cent for raw materials, 3.5 per cent for semi-manufactures, and 5.7 per cent for finished manufactures.²⁶ As a result, the effective rate of protection afforded by the tariffs to processing and manufacturing industries in importing countries is substantially above the nominal tariff rate. This factor, plus the higher average tariffs on developing country imports, provide *a priori* grounds for believing that tariff preferences continue to be of some potential value.

Further support for this conclusion is provided by the limited evidence available on the effects of graduating some of the NICs from certain categories of products previously admitted duty-free under the US GSP scheme. A study by the Korean Traders' Association submitted to the US Trade Policy Staff Committee suggested that those making the principal gains when major GSP beneficiaries were graduated were other industrialised (non-beneficiary) countries. Countries that were graduated and thus denied preferential access were apparently unable to compete on equal terms with developed country suppliers. Smaller gains accrued to other major GSP beneficiaries which continued to enjoy duty-free access.²⁷ These findings substantiate the perception that the main effect of contemporary GSP schemes, given the imposition of quotas for many products which effectively limit the possibilities of trade expansion, is trade diversion rather than trade creation. This is reinforced by studies by the US International Trade Commission which found that in many areas where GSP imports had increased, this had occurred primarily at the expense of imports from industrialised countries; the overall market penetration was little changed.²⁸

²⁶ *ibid.*, p. 183.

²⁷ Cited in UNCTAD, *Eighth General Report on the Implementation of the Generalized System of Preferences*, Geneva: UNCTAD, 26 March 1984 (TD/B/C.5/90) Annex II pp 2, 4. The UNCTAD Secretariat, in its own study of graduation from the US GSP, presented in *ibid.*, concludes that the major beneficiaries have been other industrialised countries and that imports of the products decreased from other beneficiaries of the GSP scheme 'probably as a result of the feared "insecurity" of access under the United States scheme'. The evidence that UNCTAD presents in support of this conclusion is not so clear cut, however. Of sixty-one cases where graduation occurred, the total value of imports fell in twenty-five, suggesting that domestic producers were major beneficiaries of the graduation exercise. Imports actually increased in twenty-two others. In twenty-six cases, the share of GSP beneficiaries in total imports fell, in twenty-two others it rose. Calculations based on data presented in *ibid.*, Table 1.

²⁸ Cited in UNCTAD, *Ninth General Report on the Implementation of the Generalized System of Preferences*, Geneva: UNCTAD, 20 February 1985 (TD/B/C.5/96) p. 8. A study prepared for the UNCTAD Secretariat, using fairly heroic assumptions, suggests that approximately one-quarter of GSP imports each year could be attributed to GSP-induced trade expansion. Cited in *ibid.*, p. 18.

Whether the principal effect of the GSP actually is trade diversion or trade creation matters less to this argument than the evidence that GSP status appears to play a substantial role in determining sources of imports. Contrary to some arguments, preferential tariff treatment, even in the era of lower tariffs which prevails in the contemporary international trade regime, can make a significant difference. And if duty-free access plays a significant role, we can assume that a guaranteed exemption from non-tariff barriers would be even more important.

Potential gains from MFN cuts

Critics of the process whereby the fundamental norms of the GATT system have been undermined by making exceptions for less developed countries have long argued that all countries would be better off if an across-the-board cut in tariffs was made rather than the granting of special preferences. In addition, a return to more uniform treatment under GATT has been advocated—recently, for example, by Wolf and Behrman—as a means of preventing further erosion of the liberal norms of the regime. While special preferences are acknowledged to have assisted developing countries, these authors argue that their existence has encouraged industrialised countries to depart further from the norms of the system by introducing discriminatory non-tariff barriers. Their assumption, then, is that if LDCs agree to uniform treatment in the system, industrialised countries are more likely to play by the rules of the free-trade game.²⁹

This is indeed an heroic assumption. On past performance, developing countries have little reason to have faith in it. After all, the Short-Term Cotton Arrangement and subsequent Long-Term Arrangement, the precursors to the Multifibres Arrangement, the most notorious of the orderly marketing arrangements, were signed in 1961 and 1962, *before* the introduction of special preferences for LDC exports with the addition of Part IV of GATT in 1965. Industrialised countries have erected non-tariff barriers against NIC exports of manufactures despite the fact that they have for a long period run an aggregate surplus on their balance of trade in manufactures with these countries.³⁰ The argument also seems to assume that there was once a

²⁹ Martin Wolf, 'Two-edged sword: demands of developing countries and the trading system', and Jere Behrman, 'Rethinking global negotiations: trade' both in Bhagwati and Ruggie (eds.), *Power, Passions and Purpose*, *op. cit.*, pp 201–29 and 231–58.

³⁰ See, for instance, OECD, *The Impact of the Newly Industrialising Countries*, Paris: OECD, 1979.

golden age of GATT-sponsored free trade from which we have recently departed. In reality, products of particular interest to many developing countries, especially those in the agricultural sector, have always been effectively excluded from MTN under GATT. In addition, developing countries' exports historically have been discriminated against in GATT-negotiated tariff reductions, in part because of the principle of reciprocity that underlies these negotiations. Another weakness in the argument is that many of the NTBs created since 1980 have been imposed on the exports of other industrialised countries which, of course, are not beneficiaries of GATT-sanctioned privileged exemptions to MFN treatment.

To assume that a renunciation of special preferences by developing countries will induce industrialised countries to respect the rules of the free-trade game is naively to extract the international trading regime from its political context. Ruggie has made a powerful argument that the post-war trade and monetary regimes were devised simultaneously to accomplish two objectives: international liberalisation, and stabilisation of the domestic economy. The compromise outcome he terms 'embedded liberalism': liberal international norms were constrained by domestic socio-economic objectives.³¹ The increasing resort to NTBs must be perceived in this context as an attempt to continue to attain these domestic objectives in the face of dramatic structural changes in the world economy. The desire to pursue such domestic goals as minimising unemployment, sustaining depressed regions, etc, rather than the granting of special privileges to developing countries, has dictated the increasing resort to protectionism.

Developing countries, then, have good reasons for believing that they will not be treated equally in future trade negotiations—regardless of their own behaviour. Let us assume for the moment, however, that this is not the case; on the contrary, that a future round of trade negotiations will lead to across-the-board cuts which equalise tariff rates regardless of source of imports, degree of processing of imports, etc. Will developing countries in general, and the PMA in particular, gain more from these than from the extension of special preferences through the GSP? Here everything depends on the counterfactual assumptions that are made regarding quota limitations and non-tariff barriers of 'sensitive' products. Proponents of MFN cuts assume that these will be

³¹ John Gerard Ruggie, 'International regimes, transactions, and change: embedded liberalism in the postwar economic order', *International Organization* 36(2) Spring, 1982.

removed as part of the process of trade liberalisation. With this dubious assumption, MFN cuts inevitably will appear more attractive than the present limited system of GSP schemes. Remove it, and the issue is less clear cut.

While it may be the case that global welfare would be maximised if MFN duties were abolished, this does not necessarily mean that developing countries will always be better off ceding their special preferences in favour of universal tariff reductions. The problem is that calculations of welfare gains arising from tariff reductions have paid little attention to the *distribution* of these benefits among participating countries. Trade diversion from industrialised country suppliers to developing countries is one of the principal repercussions of the creation of special preferences for LDCs. If special preferences are removed then the trade diversion effect will disappear. UNCTAD has calculated, for instance, that if this trade diversion effect is taken into account, developing countries as a whole would make more welfare gains if products of particular interest to them were admitted duty-free under enlarged GSP schemes than if MFN duties on these products were abolished. UNCTAD also points out that the larger increase in total imports if MFN duties were abolished is more likely to lead to a proliferation of NTBs in industrialised countries given the additional pressure it will exert on domestic producers.

From this scenario UNCTAD concludes that 'it may, therefore, be less costly and hence politically more acceptable for the preference-granting (importing) countries to opt for preferential trade liberalisation, rather than MFN reductions.'³² UNCTAD's assumptions, however, are obviously as politically naive as those made by the advocates of MFN cuts. Why it should be more politically acceptable to industrialised countries to remove all tariffs on imports from developing countries while maintaining them on imports from other industrialised countries is not justified. In that neither of the scenarios put forward by the MFN and GSP proponents are likely to be realised, their assumptions and conclusions are less important to the argument here than the point that trade diversion is an important phenomenon and that more attention needs to be paid to the distribution of gains from tariff reductions.

In particular, if there is serious concern for the interests of the least developed, more attention needs to be given to the erosion of their

³² UNCTAD, *Ninth General Report*, p 18.

preferential margins not only *vis-à-vis* industrialised countries but also more advanced developing countries. There is evidence that the least developed countries' position in their traditional markets has been adversely affected by the reduction of their tariff preferences as a result of MFN cuts and the introduction of the GSP. This certainly appears to have been the case in the relationship between the EEC and the ACP Group. Similarly, Helleiner quotes World Bank study calculations that tropical Africa will suffer a net loss from the Tokyo Round's MFN cuts as a result of the erosion of preferential margins.¹³ The true effects of loss of preferential margins are impossible to estimate, however, since one of their consequences is to deter investment in production for export which might otherwise have been made had continuation of preferential margins been guaranteed. Static calculations of welfare losses are again likely seriously to under-estimate the total effect.

Can the PMA exploit trade advantages?

The fourth argument against favouring the PMA in the international trade regime is to suggest that they are incapable of exploiting trade advantages. Therefore, it is asserted, the administrative effort required to implement a discriminatory tariff programme simply is not justifiable.

Least developed countries do labour under formidable handicaps. Weak economic infrastructure and geographical disadvantages are often compounded by incompetent and sometimes corrupt political administration. Political instability and capricious actions towards foreign companies have frequently alienated or deterred foreign investment. Only if the necessary measures are taken to reduce anti-export bias in their economies as recommended by the World Bank and the IMF in recent years, eg. exchange rate depreciation, will the foundations for international competitiveness be laid.

Realistically, manufacturing for export will not become a dominant feature of the economies of the vast majority of the PMA for the foreseeable future. But this is not to accept the argument that trade preferences will make no difference or that the PMA are completely incapable of exploiting them.

A surprising number of the PMA group have enjoyed some success in

¹³ Gerald K Helleiner, 'The new industrial protectionism and the developing countries', *Trade and Development* (1) Spring, 1979 p. 34. Helleiner's scepticism towards the claims that LDC interests would benefit most from MFN cuts was justified by the differential treatment given to LDC exports in the Tokyo Round

recent years in diversifying their exports. Haiti, whose light manufacturing exports have grown rapidly, has been the most dramatic example. Similarly, exports of canned fish now account for 25 per cent of the total earnings of the Maldives. But many other countries made a start in the 1970s in moving away from complete dependence on the export of raw materials and traditional agricultural products, although many nascent manufacturing industries have suffered setbacks as a repercussion of declining import capacity since 1979. A study of countries associated with the EEC through the Lomé Conventions found a considerable diversity of new exports from least developed countries.³⁴ A cursory glance at EEC import statistics shows, for example, that in the years from 1979 to 1983, the Community imported clothing from such least developed countries as Benin, Botswana, Burkina Faso, Burundi, Chad, Sierra Leone, Somalia, Tanzania and Togo. Although the value of imports in many cases remains small, for some countries, eg. Benin and Togo, annual earnings at times have been in excess of \$1 million, a significant boost to exports. Similarly, furniture was imported in this period from such diverse countries as Benin, Botswana, the Central African Republic, Chad, Congo, Niger, Rwanda, Somalia, Sudan, Tanzania, Togo and Uganda. Tanzania's exports of instant coffee to the EEC were worth more than \$1 million in 1983. More than one-third (over \$1.5 million) of Lesotho's export earnings to the Community were from umbrellas in 1979-81. Other countries enjoyed success in exporting fresh flowers.

Although no one would claim that the value of many of these non-traditional exports is enormous or that the progress of the PMA has been spectacular compared to the record of many other developing countries, the diversity of exports and the countries involved is testimony to the ability of even the least developed group to produce non-traditional exports. Arguments against granting preferences to the least developed on the grounds that they will not be able to exploit them sound suspiciously like an excuse for protectionism from people who perceive that significant trade advantages may indeed be taken up, inevitably at some cost to domestic producers in industrialised countries.

Christopher Stevens and Ann Weston, 'Trade diversification: has Lomé helped?' in Stevens (ed), *The EEC and the Third World: A Survey (4) Renegotiating Lomé*, London: Hodder and Stoughton, 1984, Ch 2.

Trade measures to help the least developed

The argument so far can be summed up as follows. A principal reason for the lack of economic growth in the least developed countries over the past fifteen years has been their poor export performance. In part this is due to their specialisation in products for which the world market is increasing only slowly. They have also been adversely affected by movements in their terms of trade. As a result, their export earnings currently cover less than 50 per cent of the cost of their imports. Unless trade performance is improved the group will become perpetually dependent on foreign aid. Despite the preferences granted under GATT to developing countries in general, and the least developed in particular, a substantial proportion of the exports of the PMA are still subject to tariff and non-tariff barriers. Although overall levels of tariffs have been reduced, those affecting LDC exports are higher than those for industrialised countries' exports; evidence from the evaluations of the GSP schemes suggest that preferential margins can be decisive in determining sources of imports. Thus opportunities are available for giving preferential advantages to the least developed countries which can be of significance and, which, it has been argued, most of the PMA will be able to exploit. If the international community is sincere in its commitment to the least developed, it will implement trade preferences which give the PMA an advantage not only over industrialised country suppliers but also over other developing countries.

The obvious ideal solution to the trade needs of the least developed is to grant access for all their current and future exports completely free of tariff and non-tariff barriers. Since we inhabit a second-best world, however, this proposal is as naive as the assumptions made by the proponents of MFN cuts as the answer to developing countries' trade problems. A realistic analysis has to begin with the acknowledgement of the continued determination of industrialised countries to protect their domestic agricultural producers. At best the least developed might hope for improved access for some of their competitive agricultural products in the Northern 'off-season'. In addition they might obtain a commitment (more likely brought about by domestic budgetary pressures than a concern for the least developed) on the part of developed countries, most notably the EEC, not to produce surpluses above domestic consumption of agricultural products which compete with those which are major exports from developing countries. The dumping of surplus EEC beef and sugar, for instance, has had a

significant negative impact on the markets of LDC producers (which include some of the PMA group).

Rather than advocating total free access for all PMA exports, a more realistic approach is to propose an improvement of the GSP schemes in favour of the least developed. Here there should be four guiding principles: enlargement of GSP schemes to provide for tariff-free access for all manufactured products from the PMA; graduation of more advanced LDC producers from GSP treatment of certain categories of 'sensitive' products; long-term security of access for PMA exporters; and relaxation of the rules of origin for least developed producers. Underlying all of these proposals is the idea that the least developed will succeed in significantly increasing their exports of manufacturers and processed products *only* if they are given better access to the markets of the industrialised countries than is enjoyed by other developing countries. If real advantages for the least developed are to be created these will inevitably be partly at the expense of other developing countries.

First, considerable improvements can be made in the list of products covered by the GSP schemes. At the present time, two principal categories of manufactured products are excluded: processed agricultural products and manufactures regarded as 'sensitive'. Even if agricultural products remain outside the scope of multilateral trade negotiations, largely as they have from the initiation of GATT, there is less justification in terms of safeguarding the interests of the rural sector for excluding processed agricultural products, especially where the agricultural raw material is not grown locally. Processing industries are a part of the manufacturing sector; here, structural adjustment should be expected. Currently, domestic processing industries enjoy high effective rate of protection as a result of the escalation of tariffs with degree of processing. One factor underlying the weakness of PMA economies is that they export a small percentage of their agricultural and raw materials production in processed forms than other developing countries.

Even under the GSP, imports into the EEC, for instance, of cigarettes are subject to 70 per cent duty; pineapple juice encounters a 17 per cent tariff plus variable levies; jams and marmalades 19 per cent tariff plus variable levies; while chocolate attracts a 9 per cent duty, variable charges plus additional duties dependent on its sugar content. In the past three years the EEC has moved to give preferential GSP treatment to PMA exporters of some of these products. In particular, it has

abolished duties on a number of products in Chapters 1 to 24 of the Customs Cooperation Council Nomenclature on which ACP suppliers already received preference. These include tobacco, roasted coffee, jams and marmalades, but exclude other items such as tinned pineapples. Although this may be welcomed as a move in the right direction, it falls far short of complete coverage of processed agricultural products. Some imports are also still to be subject to variable charges and additional duties based on flour and sugar content. As yet, the EEC's liberalisation of access for processed agricultural products is but partial and other industrialised countries have not followed its example; given the complexity of the regulations, PMA exporters may well have difficulty in determining what treatment their products will receive. Security of access is not assured.

'Sensitive' products are the second major category either excluded completely from GSP coverage (as has frequently been true of the US scheme) or subject to quotas (as in the EEC scheme). They are also, of course, the products subjected to non-tariff barriers. Traditionally these have been labour-intensive manufactures such as clothing, textiles, footwear, etc. As the newly industrialising countries have progressed to more sophisticated manufactures such as steel, electrical machinery, and even, in the case of South Korea, automobiles, so these too have been added to the list of sensitive products to which quota limitations are applied. Most developing countries have begun their manufacturing exports with products from the first category; that least developing countries are following this pattern has already been noted. As latecomers to export manufacturing, least developed countries face markets for their most feasible exports which are already saturated by the products of the newly industrialising countries.

As income levels and wages in the newly industrialised countries have increased so their comparative advantage in low-cost labour has begun to be slowly eroded. As a result, some labour-intensive industries have already been shifted to countries with lower labour costs such as Sri Lanka and Mauritius. Eventually, the least developed might expect to benefit from this shift in comparative advantage. The process is, however, a slow one and there are many countries in the queue ahead of them. Accordingly, they need additional advantages, created through preferential trade provisions, if they are to have an opportunity to compete successfully.

Although most of the least developed enjoy unlimited access for manufactured products included in GSP schemes, this in itself does not

provide them with the tariff advantages and security of access that they need. A first step would be to grant the least developed duty-free treatment for all processed and manufactured exports, including products currently excluded from some GSP schemes. Duty-free access in itself would provide the PMA with a marginal advantage over other developing country suppliers; this could be reinforced through a three-pronged strategy. The first element would be the 'graduation' of the NICs from GSP benefits for certain products that might feasibly be produced by the least developed. The second element, a necessary accompaniment to the first, would be an assurance of access for the products of the PMA for a sufficient period that potential investors would be attracted. Finally, concessions to the PMA on rules of origin also are necessary.

Graduation has become one of the most sensitive topics in international trade negotiations. To date, the principle has been opposed by UNCTAD and all members of the Group of 77 apparently on the grounds of Group solidarity, the right of self-election to developing country status, and because of the fear that it will introduce additional insecurity for all into the operation of GSP schemes.³⁵ Whether the least developed are wise to put group solidarity before their own material interests is debatable; it is a principle that has been far from universally followed by members of the Group of 77 up until now. The very designation of a category of least developed countries by the UN—following UNCTAD pressure—legitimised the differentiation of the Group of 77. And, given the structure of existing preferential systems, it is difficult to see how the least developed group can be given effective trade advantages as specified by the SNPA unless new preferences are created by removing some of these currently enjoyed by more developed members of the Group of 77.³⁶

Although usually justified in the name of ensuring a wider distribution of benefits to developing countries from the GSP, graduation has frequently appeared suspiciously like a further move to protect domestic production in industrialised countries. The interests of the least developed will not be served by graduating the NICs from products which the PMA cannot feasibly hope to produce in the foreseeable future, eg, steel, petrochemicals, and electrical machinery.

³⁵ Helen O'Neill, 'HICs, MICs, NICs and LICs: some elements in the political economy of graduation and differentiation', *World Development* 12(7) (July, 1984) pp 693-712.

³⁶ Fear that the creation of the least developed designation would indeed legitimate differential and selective treatment for members of the Group of 77 was a major factor behind the lukewarm support for the concept from some of the higher income developing countries in the 1960s.

On the other hand, the NICs currently dominate the take-up of tariff quotas created by GSP schemes for relatively unsophisticated labour-intensive products such as textiles, clothing, footwear, etc. There is a need for the exercise of common sense on the graduation issue. Over the past three decades considerable evidence has been accumulated on the products that countries typically produce in their first stage of export manufacturing. Meanwhile, the bureaucracies of importing countries have gained a great deal of expertise in monitoring imports from developing countries. There is no reason why industrialised countries could not draw up a list of 'sensitive' products that might feasibly be produced by the least developed. The current major beneficiaries from the GSP scheme could then be 'graduated' over a period of years from GSP coverage for these products. Compensation could be offered through the removal of non-tariff barriers on more sophisticated products of interest to NIC exporters.

Coupled with the pressure of higher wage rates in the newly industrialising countries, their removal from beneficiary status for this range of relatively unsophisticated products should encourage investment to shift in favour of lower-wage beneficiary countries. In itself this might be expected to provide only a marginal benefit for the PMA for there are a large number of countries at intermediate levels of development that would probably be more attractive locations for foreign investment. Accordingly, the advantage of the PMA needs to be reinforced by providing for security of access for future exports and through a relaxation of the rules of origin.

As part of their response to the SNPA, most industrialised countries have now removed quantitative restrictions on imports from least developed countries of products included within their GSP schemes. This, however, provides little security for potential investors owing to the continued subjection of some PMA exports to 'monitoring', the imposition of voluntary export restraints on certain products even from countries having 'privileged' trading relations with industrialised countries, and the failure to reach agreement within GATT on the application of safeguard clauses. Probably the greatest single trade advantage that could be given to any developing country is a guarantee of secure access for its exports for a specific period. The special needs of the least developed might best be recognised by a pledge from industrialised countries that PMA exports of processed goods and manufactures will not be subject to non-tariff-barriers for a period of, say, fifteen years.

There are no watertight guarantees in the international trade regime. Owing to the predominance of domestic objectives over the commitment to international liberalisation, industrialised countries have frequently evaded the responsibilities that they have undertaken in international trade agreements whether these be within GATT or, for example, the EEC. A commitment to the least developed countries could be broken just as easily, particularly since there would be little prospect of retaliatory action from the injured party. Like all trade pledges, the force of this one would depend largely on the unwillingness of the countries concerned to be perceived to be breaking their international commitments. In this case, this desire to avoid embarrassment might be even more pertinent given the weakness of the victim. Some teeth could be added to the pledge if, under GATT auspices, penalties would be applied and compensation provided to the victim in the event of the pledge being broken. Least developed countries would also have to play their part by refusing to agree to 'voluntary' export restraints and thus forcing the 'hidden' resort to safeguard action out into the open.

Even with the additional trade advantages proposed here, it is highly improbable that PMA exporters of manufactures will themselves cause any significant damage to domestic production in industrialised countries. At the present time, however, importing countries treat PMA exports merely as part of a 'global' problem, often perceiving these latecomers as a final intolerable increment to already high import levels. If investment in least developed countries is to be attractive, differential treatment of imports from the PMA will be essential in order to provide the necessary security.

The final component of the package of preferences for the least developed would be a relaxation of the rules of origin. Their effect as a non-tariff barrier has already been noted. At the very minimum, there should be provision for cumulation of value added among all least developed countries, and for components purchased from the importing industrialised country. Ideally, this should be supplemented by a reduction in the value-added criterion to 30 per cent. To date, only Canada has made a significant concession to the least developed on this issue by reducing the percentage local value-added requirement for exports from least developed countries from 60 per cent to 40 per cent.

Promoting current exports

Even if all of the elements of the proposed package of preferential trade measures in favour of the least developed are introduced, the impact on their export earnings in the immediate future is likely to be quite small. An effective trade package for the PMA thus also needs to provide assistance for their current exports. As noted above, many of the least developed have faced three major problems: slow growth in world trade in their principal exports; instability of export earnings; and declining shares in world markets for their principal agricultural exports.

World Bank projections suggest that the least developed will face even less favourable market conditions for their principal exports in the next decade. 'A sizeable fall' in the real prices of coffee, cocoa, and tea compared with the average levels for the last two decades is projected. For palm oil and groundnuts, the trend will be the same although somewhat less pronounced. Cotton prices are also expected to decline in real terms. Meanwhile, the volume of world trade in these products is expected to grow very slowly, on average by less than 3 per cent per annum.³⁷ Competition for markets for these commodities can be expected to be even more severe.

To date, action by the international community to reduce the harmful effects of export earnings instability has had only a limited impact. An UNCTAD study showed that least developed countries had the lowest rate of compensation among all developing countries of export earnings shortfalls from the International Monetary Fund's Compensatory Financing Facility (CFF). The reason is that loans from the CFF cannot exceed a country's maximum drawing rights at the Fund; since the PMA have small IMF quotas, their drawing rights are correspondingly very limited.³⁸ Members of the least developed group that are linked with the EEC through the Lomé Convention qualify for compensation for export earnings shortfalls under the STABEX scheme. Although this has provided significant benefits for some members of the group—most notably, Benin, Ethiopia, Guinea-Bissau, Niger and Tanzania—the scheme has a number of shortcomings in its product coverage; limitation (with few exceptions) to earnings from trade with the EEC, and th

³⁷ World Bank, *Accelerated Development in Sub-Saharan Africa*, (Washington DC: World Bank 1981) p 22. World Bank, *Sub-Saharan Africa: Progress Report on Development Prospects and Programs*, Washington DC: World Bank, 1983, p 4.

³⁸ UNCTAD, *Review of the operation of the compensatory financing facility of the International Monetary Fund* (TD/B/C.1/243).

method of calculation of earnings shortfalls.³⁹ France proposed at the time of the Paris Conference on the least developed that STABEX be extended to all members of the group. The EEC agreed to take up this proposal in 1985. A study by the EEC Commission showed, however, that as a result of the scheme's restrictions on product and direction of trade coverage there would be few benefits to countries not already members of the ACP Group.

As a group, least developed countries are twice as dependent on earnings from commodities included within the Integrated Programme for Commodities than the mean for all developing countries (in 1982 41.0 per cent of total group earnings were derived from the eighteen IPC commodities compared with 20.4 per cent of all earnings of non-oil-exporting LDCs).⁴⁰ Least developed countries thus might be expected to gain from the implementation of the Common Fund and the negotiation of new agreements under the Integrated Programme for Commodities, although they accounted for only 4.5 per cent of developing country exports and 2.7 per cent of world exports of the eighteen commodities in 1981. There appears little likelihood of agreement on the implementation/extension of the Common Fund in the near future, however, or on the negotiation of new commodity agreements given the particular aversion of the current US administration to these types of arrangements. Accordingly, we must look beyond global commodity agreements to help the least developed.

Clearly there is a need for considerably expanded provision of trade-related concessional finance for the least developed. A strong case can be made that these countries were the principal victims of the downturn in international commodity prices that occurred from 1978 to 1983. Not only were the least developed particularly dependent on export earnings from a few commodities, their compensation for loss of export earnings from the CFF was extremely limited, and, in comparison with many of the middle-income countries, their access to private sources of finance was negligible. STABEX provided only partial relief for some members of the group; its impact was particularly limited when compensation for shortfalls was reduced after available funds were exhausted in 1981 and 1982. Improvement of the CFF

³⁹ Further discussion of the shortcomings of the STABEX scheme and a comparison between it and the CFF is found in John Ravenhill, 'What is to be done for Third World commodity exporters? An evaluation of the STABEX scheme', *International Organization* 38(3) Summer 1984 pp 537-74. This study shows that the least developed countries derived greater benefits from STABEX than from the CFF in the period 1975-82.

⁴⁰ UNCTAD, *The Least Developed Countries 1984 Report*, p 61.

appears the most feasible route since the EEC is unlikely to improve STABEX to cover all destinations earnings and non-agricultural products. This might be achieved through: (i) enlargement of the drawing rights of the least developed such that they are sufficient to fully compensate for losses in export earnings; (ii) amendment of the formula for calculating earnings trends to allow for indexation to the prices of imported manufactured goods; (iii) more generous terms of borrowing for the least developed (either interest free loans or grants, as is the case with the STABEX scheme).

Although compensatory finance can help overcome the problems associated with fluctuations in export earnings, it does not address the other dimensions of the commodity difficulties faced by the PMA, namely, an apparently secular decline in the real prices of their principal exports, and a loss in their market shares. These can be resolved only through some form of international commodity agreement.

A first step would be to give larger quotas to least developed countries within existing international commodity agreements. Inevitably, as with other preferences in the trade field, this would come primarily at the expense of other developing countries. If least developed members were unable to fill their enlarged quotas by the end of a year, the balance in that year would be available for other states. However, with failure to reach agreement on a new International Sugar Agreement and a new International Cocoa Agreement, and the collapse of the International Tin Agreement, there is only one ICA in operation which attempts to stabilise prices; the International Coffee Organisation. Global commodity agreements thus offer few prospects for aiding the least developed in the near future, even if other countries were willing to cede some of their quotas to least-developing producers.

The alternative is for groups of importing countries to establish some form of managed market—the arrangement enjoyed by colonies in the French market before the implementation of the Treaty of Rome, and by Commonwealth sugar producers in the UK market. Currently there are two arrangements of this type in relations between the EEC and the ACP Group under the Lomé Conventions. Contrary to the provisions of the Treaty of Rome, there is no free market for bananas within the Community. France, Italy and the UK maintain licensing arrangements which limit imports to their traditional suppliers; former colonies and present overseas departments and territories. The second form of managed market is established by the Sugar Protocol attached to the first Lomé Convention. This provides for the admission of specified

quantities of sugar from ACP countries to be sold at a guaranteed price 'within the price range obtaining in the Community'.

Bananas and sugar were two of only five of the twenty most important exports of the ACP in which the Group sustained an increased share of the EEC market in the 1975–82 period.⁴¹ Managed markets thus appear to be the most effective answer to the least developed countries' problem of increasing inability to compete with other developing country producers, a problem reflected in their declining market shares. When guaranteed outlets for specific quantities of their exports are linked with guaranteed prices then two of the three principal difficulties faced by their traditional exports are largely ameliorated. The third problem—instability of export earnings—is also addressed to the extent that the source of instability is variation in prices. For most agricultural commodities, however, the principal source of instability of earnings is fluctuations in supply. Managed markets thus need to be complemented by improved compensatory finance to resolve fully the problem of export earnings instability.

Managed markets have traditionally been regarded as an anathema by most industrialised countries including the more 'globalist' members of the EEC. These feelings, of course, have only been applied to imported products; industrialised countries have found no difficulty in supporting such arrangements for their own agricultural producers. The greatest benefit to the least developed would occur if additional managed markets were introduced by the largest consumer of their traditional exports, the EEC. This proposal, in fact, was raised by the ACP Group in the negotiations for the third Lomé Convention. In essence, it would involve the extension of elements of the Common Agricultural Policy (price guarantees but only for specified quantities) to the principal agricultural imports from the least developed countries. The one case in which the Community provides guaranteed prices for an imported agricultural product, sugar, is explained by the inclusion of the product within the Common Agricultural Policy, the importance of the product to Caribbean economies, and by the unique conjunction of circumstances that led to the signing of the first Lomé Convention.⁴²

⁴¹ Joanna Moss and John Ravenhill, 'Trade developments under the Lomé Convention', *World Development* 10(10) (October 1982) pp 841–56.

⁴² Carole Webb, 'Mr Cube versus Monsieur Beet: the politics of sugar in the European Communities' in Helen Wallace, William Wallace, and Carole Webb (eds), *Policy-Making in the European Communities*, London: Wiley, 1977, pp 197–226; Ravenhill, *Collective Clientelism*, *op. cit.*, Chapter 2.

For certain, proposals for additional managed markets will be met with self-righteous cries of indignation from nominal free traders among Community member-states. These have little credibility given their *continued support for the Common Agricultural Policy*. A number of other objections can be anticipated:

- 1) Purchasing agricultural raw materials at above world prices will place Community processors and manufacturers at a disadvantage compared with their competitors which have access to the (lower prices of the) world market. Certainly, there is some validity in this argument but, first, exactly the same considerations apply to products within the Common Agricultural Policy, and, secondly, Community processing industries already enjoy extraordinarily high rates of effective protection.
- 2) It is impossible to sustain prices above their natural 'equilibrium' levels over the long term. This argument has frequently been used against UNCTAD's Integrated Programme for Commodities. As Behrman points out, however, the experience of managed markets for domestic agricultural producers has shown that it is possible to sustain prices above equilibrium levels if resources are sufficient and if motivation is strong enough due to income-distribution, political, or supply-security concerns'.⁴³
- 3) High prices and guaranteed markets will sustain inefficient producers in the least developed countries and will provide no incentive for more efficient production. Again, there is an element of truth in this assertion. Responses to it can take a number of tacks. First, although least developed countries may not be the most efficient producers of their traditional exports, they have few viable alternatives at the present time. To rob them of their traditional markets is to deprive them of their principal chance to 'pay their way' and minimise their dependence on foreign aid. Secondly, although an *a priori* argument can be made that guaranteed markets and outlets provide no incentives for greater inefficiency, an equally plausible *a priori* argument asserts the opposite; given that prices and quantities are fixed, producers have an incentive not to increase volumes but to improve the efficiency of output so that profit margins will be maximised.
- 4) For most export commodities from developing countries, governments purchase crops from domestic producers and market

⁴³ Behrman, 'Rethinking global negotiations', *op. cit.*

them through state marketing boards. Benefits from guaranteed markets and prices thus will accrue primarily to governments in the PMA and not necessarily be passed on to producers. Higher prices in the EEC may not be reflected in higher prices for domestic producers; incentives towards improvement in productive efficiency will be lost. This is indeed a classic problem which has bedevilled compensatory financing schemes.⁴⁴ It is made even more acute when the legitimacy is acknowledged of diverting some of the finance to other productive activities in order to promote economic diversification. Given the fungibility of foreign exchange, the ability of third countries to enforce conditionality on recipients is extremely limited. The best that can be expected here is that governments will realise that an anti-agricultural bias is not only economically irrational but increasingly politically irrational in the short term given the growing economic crisis faced by these countries which has been exacerbated by foreign exchange losses resulting from reduced agricultural exports and increased food imports.⁴⁵

Prospects for implementation

In this era of economic narcissism on the part of the world's industrialised countries, to advocate the reforms suggested in this paper will be regarded by many as quixotic. Governments, we have frequently been reminded, will pursue reforms in North-South relations only when they perceive it to be in their interests either directly—because such reforms will give rise to mutual benefits—or indirectly in that reform may be perceived to be necessary to preserve the legitimacy of existing patterns of hegemony.⁴⁶ Critics of reports such as those of the Brandt Commission have insisted that mutual interest in reform has frequently been overestimated by its proponents. Exhortations to do the right thing have seldom brought the desired action. Least developed countries play such an insignificant role in the global economy that they have few assets with which to bargain. Middle-income countries, especially the NICs, not only have expanding markets which are becoming increasingly important for OECD exports, but also debt burdens which provide them with some leverage in international economic negotiations. While it has been argued that weakness can

⁴⁴ Ravenhill, 'What is to be done for Third World commodity exporters', *op. cit.*

⁴⁵ Ravenhill, 'Africa's continuing crises', *op. cit.*

⁴⁶ On the latter see Robert W Cox, 'The crisis of world order and the problem of international organisation in the 1980s', *International Journal* (35) Spring 1980.

sometimes be an asset in international negotiations in that it enables countries to claim that they cannot conceivably exploit any concessions to the extent that damage would be caused to the interests of the stronger parties, this has seldom been accepted by industrialised countries which are concerned with global levels of imports, regardless of source.⁴⁷ Probably the greatest bargaining asset enjoyed by the PMA is the claim that trade advantages will enable them to improve their exports such that they will make fewer aid demands on industrialised countries. Since aid is usually less costly in domestic political terms than trade concessions (which inevitably involve some degree of domestic adjustment), this argument again is unlikely to carry a great deal of weight.

The other principal problem which these proposed reforms would encounter is that meaningful trade advantages for the least developed can only be created at the expense of other developing countries. Other members of the Group of 77 have been willing to tolerate—if not always enthusiastically support—concessions for the least developed as long as these have been primarily of a token nature. Reforms along the lines suggested here will go beyond tokenism and are likely to prompt adverse reaction among those countries placed at a competitive disadvantage. None of the members of the Group of 77 perceive their economies as sufficiently buoyant that they can afford to relinquish the few concessions that they have been able to extract from the industrialised countries. There have been few favours ceded to the least developed in the negotiation of commodity agreements and orderly marketing arrangements. Simply because of their growing importance to OECD countries, the more advanced economies in the Group of 77 may be able to block measures which place them at a competitive disadvantage. Agreement would be more likely if the concessions to the least developed were accompanied by a package of interest to the newly industrialising countries, eg, a reduction in the non-tariff barriers on their more sophisticated exports.

Lack of negotiating resources and the absence of expertise make it unlikely that least developed countries will be able to exploit any future round of GATT talks. GATT, however, has acknowledged the legitimacy of taking special measures in favour of the least developed: this article has suggested how this might best be effected. Of the various

⁴⁷ John Ravenhill, 'Negotiating the Lomé Conventions: a little is preferable to nothing' in I William Zartman and John Sewell (eds), *North-South Negotiations*, New Brunswick NJ: Transaction, 1986.

proposals, the introduction of managed markets is least likely to be implemented. Graduation of the NICs from some GSP schemes is more likely—probably more for the reason of protecting domestic producers than helping the PMA, but the latter may gain some benefit. Further incremental improvements in the least developed countries' access to markets through GSP schemes may also be anticipated. Whether the crucial issue of security of future access will be addressed is more problematic; the least developed may benefit, however, from concessions negotiated by other developing countries. One can imagine, for instance, a possible trade-off of agreement on the liberalisation of trade in services in return for industrialised countries' acceptance of new safeguard arrangements in GATT.

Ultimately, trade preferences for the least developed can be justified in humanitarian terms. Appeals in international relations based on morality unfortunately have seldom succeeded in the absence of perception of mutual interest.

South Africa at the crossroads

A new Constitution

South Africa's racial conflict has a three-hundred-year history but recently the turmoil there has escalated into virtual civil war, mainly because of the white minority government's determination to implement a programme of political reform; one that is aimed at retaining white supremacy and has been rejected from the outset by the majority of the country's citizens.

The country's predominantly Afrikaner National Party ruled an all-white parliament since 1948. In 1977 the government announced that it was considering a new Constitution that would include other races in the central government. Two years later the Schlebusch Commission of Inquiry was set up to investigate the new constitutional proposals. The President's Council, a government-appointed conservative think-tank was appointed in 1980 and subsequently presented three reports on the proposals the majority of which were accepted by the ruling National Party in July 1983.

In May 1983 the Republic of South Africa Constitution Bill was presented to parliament and four months later—after potentially lengthy debate had been axed by the Minister of Constitutional Development and Planning, Mr Chris Heunis—the bill was ratified by Parliament in September 1983. The National Party held a referendum in November 1983, for white people only, in order to gauge support for the new Constitution. Despite almost universal black opposition, the white electorate gave the government's reform plan a two-to-one endorsement in the referendum. In terms of the new Constitution the country's Coloureds were allowed eighty-five representatives (House of Representatives) and the Indians forty-five (House of Delegates) in separate parliamentary chambers where each group had limited powers.¹ The white chamber (House of Assembly) has 178 members and of these about 122 are representatives of the ruling party while the

¹ Most South Africans who are not white prefer the homogenous term black, if the distinction has to be made. However, it has been necessary to deal with the government-defined gradation of racial disparity throughout this article. In this instance it becomes necessary to use largely despised government terms like Coloured or Indian which refer to South Africans of mixed racial descent or of Asian extraction, respectively.

official opposition, the Progressive Reform Party—mainly English-speaking South Africans—has twenty-seven members in the chamber. The remainder is made up of eighteen hard-line Conservatives, seven members of a right-wing English-speaking New Republican Party and one far-right member of the Herstigte Nasionale Party (literally translated 'The Re-established National Party').

The country's black people who make up 73.8 per cent of the total population of about 32 million have not been included in these constitutional plans, nor has the government hinted at a hidden agenda for incorporating blacks into the central government.² The Coloureds and Indians let in on the new tricameral deal, make up merely 6.7 and 2.7 per cent of the population respectively.

The new Constitution has given the State President, Pieter Willem Botha, widespread powers which include the ability to dissolve parliament or any of the three chambers at will.³ Within the parliamentary framework, opposition to the rigid rule of the National Party is therefore numerically impossible and potentially ineffective.

Against this scenario, sweeping extra-parliamentary opposition forces arose to oppose the implementation of the new deal. Mainly because it promised no fundamental change to South Africa's draconian and racist apartheid legislation, the African National Congress (ANC) launched its most serious bomb attack in the history of the organisation on 19 May 1983 in Pretoria, the country's administrative capital. Nineteen people were killed—both black and white—and 217 were injured.⁴

The United Democratic Front

At the beginning of 1983, after a call by the President of the World Alliance of Reformed Churches, Dr Allan Boesak, a steering

² Most black political organisations will accept nothing less than a universal franchise in a unitary state of South Africa, a concept that the majority of the country's whites find unacceptable. About 19 million black people live in ten 'homeland' areas, four of which have been granted 'independence' by the South African government. None of the 'independent' homelands have been given international diplomatic recognition.

³ In November 1985 the Minister of the Budget in the House of Delegates, Mr Ebrahim Abramjee, was dismissed by President Botha for hinting at the contents of an announcement the State President was due to make in connection with an offshore drilling project. See Norman West, 'Sacking was government "ploy"—Abramjee', *Sunday Times* (Johannesburg) 17 November 1985, p 2.

⁴ The ANC was banned in 1960, together with the smaller Pan-Africanist Congress (PAC) which is currently experiencing a resurgence of support from young black people who are impatient with the 'moderate' line of the ANC.

committee was set up to form a broad-based umbrella body which was later called the United Democratic Front (UDF). Initially, about 400 community-based organisations, trade unions, churches, youth bodies, women's groups, professional organisations, cultural bodies and various interest groups supported the coalition and on 20 August 1983 the UDF was formally launched in Cape Town.

It was the biggest single black political opposition grouping formed since the birth of the Congress Movements in the 1950s. Although the rise of the Black Consciousness Movement (BCM) in the early 1970s was historically very significant, BCM was organisationally and ideologically different from the UDF. The UDF's initial short-term aim was to coordinate opposition to the then new tricameral parliament and fight the government initiatives to continue dividing people along racial lines. Another UDF plan was to oppose proposed legislation which became known as the Koornhof Bills, after the cabinet minister responsible for Black Affairs at the time. These were laws aimed at tightening up the already severe control of the movement and settlement of black people.

One of the UDF's more important characteristics is that it cuts across racial, ethnic, cultural, economic and religious lines. There is widespread support for the organisation from the Christian churches and several prominent Muslim clerics have given the UDF their blessing. On the day before the launch of the Front in 1983, the Friday *khutba* in many mosques was devoted to informing Muslims about the UDF. Cape Town's Imam, Hassan Solomons, a UDF activist who went into hiding for several months last year because he was wanted by the security police, declared that there was 'nothing unIslamic in joining forces with the UDF . . . no Muslim can have anything to do with a system of government based on the division of people into coloured, Indian, white and black . . . all Muslims must categorically reject a system of government based on this. It is contrary to and in violation of the basic belief of Islam.'⁵

A unique feature of the kind of cooperation which black people have recently developed, through the UDF, is the joint funeral and other religious services held by Christians and Muslims. This is unparalleled in the country's history. The UDF and a host of other organisations captured the mood of the majority of black people. The Black

⁵ Imam Hassan Solomons, 'Not unIslamic to join the UDF', in a special edition of *UDF News* (Cape Town) University of Cape Town SRC Press, 1983, p. 2.

Consciousness Movement (BCM) that flourished in the 1970s, was popular but reeled under severe state repression after the uprisings of 1976. The BCM activities, however, were confined to certain sections of the populace and the movement did not have as much grassroots support as the UDF.

The historic uprisings in Soweto and elsewhere in the country during 1976 as well as the explosive schools boycotts of 1980 promoted a heightened political awareness throughout South Africa and set the stage for the UDF's success. Despite continued and heavy-handed state repression,⁶ grassroots opposition to the government grew in size and intensity after 1976. Community associations concerned with a wide range of issues—from small committees for neighbourhood affairs to national organisations—were established country-wide. In 1983 the UDF became the main link that finally provided cohesion for the country-wide groupings. The essential difference between this kind of political coalition and the consciousness-raising movements of the 1970s, is that the UDF mainly provides a platform for coordination and communication.⁷

During his keynote address at the launch of the UDF, Dr Boesak told an audience of about 6,000 people: 'In a sense the formation of the United Democratic Front both highlights and symbolises the crisis apartheid and its supporters have created for themselves. After a history of some 331 years of slavery, racial discrimination, dehumanisation and economic exploitation, what they expected were acceptance of the status quo, docility and subservience. Instead they are finding a people refusing to accept racial injustice and ready to face the challenges of the moment. Apartheid is a cancer in the body politic of the world, a scourge on our society and an everlasting shame to the church of Jesus Christ in the world and in this country. It exists only because of economic greed, cultural chauvinism, political oppression, maintained by both systemic and physical violence and a false sense of racial superiority'.⁸

⁶ In addition to the banning orders—these restrict movement and association—served on individuals, eighteen black organisations, including the South African Students' Organisation (SASO) and the Black People's Convention (BPC) as well as the multiracial Christian Institute were banned in October 1977. At the same time, two black newspapers and a black magazine were shut down by the government.

⁷ The Black Consciousness movements had a clear ideology and long-term political plan of action coupled with vigorous education and upliftment projects.

⁸ Dr Allan Boesak's speech at the launch of the UDF on 20 August 1983 in Cape Town.

A substantial measure of the UDF's popularity can be assigned to the fact that those who oppose the government sense that South Africa's rulers have lost their grip on the situation. People know that they have reached a turning point in the country's troubled history and at last it is possible to visualise the end of an unjust regime. Police and defence force action became progressively more repressive prior to and during the State of Emergency—declared in July 1985—but the majority of the people realised that behind this renewed show of physical force was a politically weakened government. For the first time since the National Party government came to power, black people spoke of freedom as an imminent reality rather than a remote goal.

After its launch the UDF became vigorously involved in black community affairs at every level. Almost immediately, harassment of its members began and the UDF's activities were subjected to bannings and the spread of anonymous disinformation and propaganda. In 1984, as part of its election campaign, the Coloured Labour Party—it now has a majority in the House of Representatives in the tricameral parliament—produced pamphlets purporting to be proof that the UDF had the backing of the ANC.⁹ Because the ANC and organisations sympathetic to its ideology have the backing of at least 50 per cent of urban blacks—according to a 1984 poll conducted by the Human Sciences Research Council—this claim is irrelevant in black society. However, because of lack of information and twenty-five years of banning, whites and a small band of ultra-conservative blacks have a distorted view of the ANC as a bloodthirsty terrorist organisation. In the view of most of the white electorate, government clamp-downs are therefore justified if there is a UDF/ANC link. The UDF's consistent response to much-vaunted claims in this connection has been that because of the nature and composition of the organisation there were bound to be ANC supporters or sympathisers within its ranks. Officially, it claims no direct links with the banned organisation and has adopted a non-violent stance while expressing an appreciation of the fact that the ANC was forced to resort to acts of violence only after it was exiled. Most black people see the system of apartheid as the fundamental violence against the oppressed and any aggression on the part of black people as mere retaliation. The views of the Rt Reverend Desmond Tutu, the Anglican Bishop of Johannesburg, are representative of an increasing number of black moderates. He says:

⁹ 'L P says ANC backed UDF', *Cape Times* (Cape Town) 1 August 1984, p 2.

Apartheid is violent. I oppose violence but I accept there may come a time, because of an unjust system, when all else has failed, that the church might say to its members it is justifiable to fight against an unjust system. Which is the lesser evil? The evil system or the fighting against it, as for example the fight against Nazism?¹⁰

The National Forum

In June 1983 a coalition smaller than the UDF was initiated by the Azanian People's Organisation (Azapo) and called the National Forum (NF).¹¹ This is also essentially an umbrella organisation which, like the UDF, facilitates the planning of mass action or political opposition and acts as a vehicle for debate and consultation.

While the UDF is the most popular of the resistance movements, there are organisations outside its rank—mainly several trade unions and Azapo—who wage the struggle for the liberation of the country's black people on a scale that is equally intense.

Unlike the multi-racial UDF, the 200 affiliates of the NF are exclusively black, although the prominent NF academic and ex-Robben Island political prisoner, Dr Neville Alexander, has spoken out forcefully against the automatic exclusion of whites. He said that he believes that the leadership of organisations engaged in the struggle for liberation should remain in the hands of the black working class but that whites who were committed to the ideals of freedom should not be excluded from the rank and file.¹² At the two-day NF launch in June 1983, about 800 delegates drew up the Manifesto of the Azanian People. On the other hand, UDF-affiliated organisations subscribe to the Freedom Charter drawn up in 1955 by the Congress Alliance of which the ANC was a member. The differences between these two groupings, the NF and UDF, are therefore seen primarily as the difference between Charterists and black consciousness groupings. Bishop Desmond Tutu is a member of the National Forum Committee (NFC) and like many other black leaders is at the same time well-disposed towards and active in the UDF. However, the government, the white press and *agents provocateurs* have done much to harp on the differences between the NF and the UDF.

¹⁰ Carol Lazar, 'Man on the run', *Weekend Argus* (Cape Town) 16 November 1985, p 15

¹¹ Azania is what the majority of the people see as a name for the future South Africa.

¹² One of the affiliates of the biggest trade union grouping, the Council of Unions of South Africa (CUSA) which claims 249,000 members, admitted two white members in 1984. CUSA's general secretary Mr Piroshaw Camay, stated in the *Rand Daily Mail* (Johannesburg) 26 July 1984, that this did not mean a change in their policy of reserving leadership posts for blacks.

After the formation of the UDF and the NF, the politicisation of the masses escalated. Mass meetings, political publications and coordinated grassroots activity helped people to acquire increasingly more sophisticated political analyses of the South African situation. The problems of high rent, low wages, 'gutter education', rising unemployment, were no longer merely the concern of special interest groups—for example, student bodies or trade unions—but were seen in proper perspective. People became much more aware of the total social, economic and political reality that shaped their daily lives. This expanded awareness coupled with a declining economic situation, meant that people were more easily mobilised into political action and increasingly prepared to voice their anger at the system of apartheid. Black people could now clearly link their powerlessness and problems to their non-participation in the political system.

Troubled elections

The first display of the effectiveness of the growing black opposition to government's attempts to press ahead with unacceptable and cosmetic reforms, was the dismal failure of the Coloured and Indian elections for the tricameral parliament. In the run-up to the elections in August 1983, both NF and UDF groups held mass rallies country-wide. On the weekend before the elections about 20,000 people attended rallies in protest—in all the country's main centres—and also to mark the UDF's first anniversary.¹³ By comparison, the electioneering parties confined their meetings mainly to rural and peri-urban areas. Gatherings held in the cities were badly attended and often disrupted by anti-election groups. Tensions mounted on all sides and the day before the Coloured elections on 22 August 1984, police clamped down on the UDF, detaining thirty-five of the organisation's leaders and supporters.¹⁴

The events surrounding the election eloquently emphasised black resentment against the new Constitution. In July 1984 the Minister of Constitutional Development announced in parliament that 60.5 per cent of all voters had registered (failure to register is illegal in South Africa). All the major black political groupings had called for a boycott of the elections, including the ANC. There were numerous incidents of

¹³ Carole Cooper, Jennifer Shindler, Colleen McCaul, Frances Potter and Melanie Cullum in the South African Institute of Race Relations' *1984 Annual Survey*, Johannesburg: SAIRR, 1985, p. 18.

¹⁴ 'UDF arrests condemned' and 'UDF detainees named', *Cape Times*, 22 August 1984.

violence during the election campaigns, as boycotters clashed with party supporters and candidates. There were at least seven petrol bomb attacks on the homes of Coloured and Indian candidates.¹⁵ On 22 August 1984, the day of the Coloured elections, 152 people (many of whom were students) were arrested during election-related incidents. About 630,000 Coloured students boycotted classes in protest.¹⁶ The following week, when the election for the House of Delegates was held, similar disturbances occurred and in one incident in the Transvaal's Indian suburb of Lenasia, police—throughout the day they kept a high profile at polling stations—were petrol-bombed and stoned.

The official percentage poll for the Coloured elections was 30.9 per cent, with the Labour Party taking seventy-five seats.¹⁷ The South African Institute of Race Relations (SAIRR) which monitors a wide range of political and apartheid-related events in the country, estimated that the real poll was 18.1 per cent when the 'eligible' rather than registered voters were taken into account.¹⁸ What is more important is that the majority of the people classified officially as Coloured live in the Cape Peninsula where an 11.1 per cent poll (the lowest in the country) was recorded.¹⁹ In the Indian elections, 15.2 per cent of the potential voters went to the polls, while the official figure based on those who registered is 20.9 per cent.²⁰

Despite this clear rejection of the new ideal, the government went ahead with its constitutional reform and in January 1985 the first sitting of the tricameral parliament was hailed as the start of a new era. In white society the 1984 scrapping of the laws which prevented inter-racial sex and marriage was seen as the initial direct influence of having Coloureds and Indians in the central government. On the other hand, most black people saw it as a move to gain credibility for the new parliamentarians. More relevant is the fact that removing the legislation affected very few people country-wide and the Group Areas Act—a law

¹⁵ In *The Star* (Johannesburg) 4 February 1984.

¹⁶ *The Star*, 10 November 1984.

¹⁷ The Labour Party is an ultra-conservative Coloured political grouping. Its leadership has stated that its aim in joining the tricameral parliament is to 'dismantle apartheid'. They have frequently attacked the United Democratic Front. The Labour Party leader, the Rev Allen Hendrickse, is a minister without portfolio in President Pieter Botha's government. Despite the insurmountable border conflicts it would create, Hendrickse's view of the future is a federal system where 'racist' and 'non-racist' states can co-exist. See *Annual Survey*, *op. cit.*, p. 29.

¹⁸ *Annual survey*, *op. cit.*, pp 127–8.

¹⁹ South Africa has 2,830,301 people registered as Coloured and this constitutes 8.7 per cent of the population. See the government's Central Statistical Services *News Release*, 15 August 1984, p. 11.

²⁰ *Annual Survey*, *op. cit.*, p. 128.

that confines race groups to certain government-designated residential areas—still remains, causing a paradoxical situation for those black and white couples who do marry.

The underlying causes of the unrest

Since the government made the details of its political reform known, there were repeated warnings from black community leaders that the exclusion of blacks and failure to consult the majority of the country's people about the new deal would lead to protest and violence. These warnings were ignored and branded as the utterings of desperate radicals who could not afford to allow successful evolutionary change because their aim was to destabilise the society and bring about violent revolution. During the last part of 1984 and for the whole of the following year South Africa experienced country-wide unrest that was the worst since the disturbances of 1976 and resulted in the State President declaring a State of Emergency in July 1985. The reasons for the unrest are varied but the heightened political awareness of black people coupled with a number of factors discussed below caused these civil disturbances to be the worst in South Africa's history.

Black exclusion from politics

The exclusion of black people from real political power is by far the most important precipitating factor. In a remarkably naive approach, most white South Africans, even informed liberals, tend to see poor socio-economic conditions as the primary reasons for black dissatisfaction. Without discounting bread-and-butter issues, this is an attitude that tends to minimise the deeply-rooted political anger, articulated often and in so many ways. The irresponsible government propaganda which portrays largely docile and unsophisticated black masses being led or intimidated by a few radical extremists, is widely believed among whites and the Western world. However, this response to the suffering of South Africa's oppressed has led to despair in moderate black circles where people are torn between white intransigence and impatient radicals who believe a violent overthrow of the system is the only answer to the country's problems. And, indeed, the government has done little to win the support of the moderates and to defuse the arguments of black extremists. A report published by the President's Council in June 1984 stated that the inclusion of blacks in the

central parliament would result in 'group domination and conflict'. The council's report advocated 'controlled evolutionary reform'.²¹

Since then there have been several indications of the government's inability to resolve the question of full black participation in the central decisionmaking process. Addressing a plenary session of the President's Council in November 1985, State President Pieter Botha asked the Council to consider ways to include black people in its membership. The Council is purely an advisory body and has been rejected by the majority of black people from the start. The move was immediately rejected by most progressive black organisations including the UDF, NF, and Azapo. During his speech to the plenary session, Botha reiterated his principle of 'a united South African people with citizenship and franchise for all within the structures chosen for South Africans by South Africans'.²² The crux of the matter is that the government has a history of choosing or approving the blacks who will help them decide on these 'structures'. The main reason why the President's reform plan is in tatters is because of his government's inability to obtain the cooperation of most black people and there is no likelihood that, in the immediate future, they will enlist the participation of the popular black organisations. The majority of people regard the reform initiatives as neither 'a strategy nor a solution but as part of the programme of the oppressor'.²³

After the President's request to the Council to find ways of including blacks, political analysts forecast that the 1986 parliamentary session would see the scrapping of certain racist laws and discussion on a new federal constitution. By late 1985, it was clear that at the top of the agenda would be the question of black citizenship. The government announced that it would abandon its original plan arbitrarily to make most black people citizens of the ten black homelands (Transkei, Bophuthatswana, Ciskei, Venda, Lebowa, Kwazulu, Qwaqwa, KwaNdebele, KwaNtse and Gazankulu)—these cover about 13 per cent of the country—and would automatically restore South African citizenship to those people who had been victims of this policy. It was planned that people who lived in the four homelands that had been given South African-style 'independence' (Transkei, 1976;

²¹ Final Report of the Constitutional Committee of the President's Council on the Adaptation of the Constitutional Structures in South Africa PC/4.

²² Sefako Nyaka and Anton Harber, 'Small step for P.W. But blacks dismiss', *Weekly Mail* (Johannesburg) 1(23) 1985, p. 1.

²³ Nokgethi Motlhabi, *The Theory and Practice of Black Resistance to Apartheid*, Johannesburg: Skotavill, 1984, p. 269.

Bophuthatswana, 1977; Venda, 1979; Ciskei, 1981) would be able to hold some form of 'associate' South African citizenship. The government promised in several announcements to give freehold rights to blacks who had, up to 1984, been allowed leasehold rights only on property and eventually to scrap influx control. According to Professor Michael Savage of the University of Cape Town, more than 17 million black people have either been arrested or tried in court for contravening influx control regulations since the early 1900s. In a paper he submitted to a 1984 commission of inquiry into poverty, he claimed a daily average of 1,703 arrests in the 1960s and 580 in 1981-2.²⁴

In addition to all this the government plans to implement a new Constitution to implement a federation of states with the already 'independent' homelands being given 'confederate' status. Quoting senior government sources, the political editor of a Johannesburg newspaper predicted that 'the principle of representation by racial groupings in the political process could remain inviolable'.²⁵ For this reason, as well as the fact that it is unlikely that the government will allow the real black leaders—most of whom are imprisoned, banned or in exile—to take part in drawing up the new Constitution, the federation plan will almost certainly not get widespread support. The UDF, ANC, and Azapo have insisted on nothing short of universal franchise in a unitary state.

Dissatisfaction with the education system

Dissatisfaction with a poor education system that has seen scant improvement even since 1976 is a second major focus of discontent. Nineteen seventy-six was a year marked by serious civil disturbances and boycotts resulting from, firstly, the insistence of the authorities on teaching Afrikaans to black pupils and, secondly, the disparity in the money spent on education for the different races. According to the latest available figures, the government spends about R170 on each African child annually and R1,500 on every white child. This figure excludes capital expenditure and the comparative figures for Coloured and Indian children are R501 and R905 respectively.²⁶ For every

²⁴ *Rand Daily Mail*, 18 April 1984.

²⁵ Brian Pottinger, 'P W set to move at last', *Sunday Times*, 17 November 1985.

²⁶ These figures reflect the 1983/84 Education Budget and the increased expenditure over the previous year for every African, Coloured, Indian and white pupil was 13.8 per cent; 0.2 per cent; 27.3 per cent and 24.8 per cent respectively. See *Annual Survey*, *op. cit.*, p 648.

African teacher there are 40.7 pupils while every 18.9 white children have a teacher.²⁷ In addition to these important differences, the literacy rate highlights the inferiority as well as inaccessibility of black education. Linda Wedepohl of the University of Cape Town's Centre for Extra-Mural Studies has done a study which estimates that as many as nine million South Africans could be illiterate. The figures—based on the most recent (1980) population census—show that 33 per cent of black people over fifteen years are unable to read or write while only 0.72 per cent of whites in the same age group are illiterate. Coloureds and Indians fall in between with 15.51 per cent and 7.59 per cent respectively.²⁸

Since 1976 the schools issue, and what has been branded as 'gutter education', has played a major role in the unrest in South Africa. While the broader issue sparking confrontation has been the inferior quality of black education, a more specific demand has been for democratically elected student representative councils (SRCs). Students wanted to draw up their own constitutions for the SRCs and affiliate them to the main student organisations: the Congress of South African Students (COSAS), the Azanian Students Movement (AZASM) or the Azanian Students Organisation (AZASO). While the education authorities agreed with the need for SRCs they refused to allow students the freedom to draw up their constitutions. In a typically high-handed fashion, the black education department drafted a constitution for the SRCs according to which they were obliged to concern themselves only with educational matters, relating to the set syllabus. The department also refused permission for the SRCs to affiliate to COSAS, AZASM or AZASO because these were not recognised by the department.²⁹ The South African authorities are clearly incapable of compromise even on simple issues and repeatedly deal with significant black protest in a manner that offers little hope for resolving conflict. On 28 August 1985, COSAS was banned in terms of South African security legislation that empowers the Minister of Law and Order to ban an organisation if he considers it represents a threat to security.³⁰

²⁷ Central Statistical Services Department, 'Educational Statistics 1983 and 1984 Summary', *News Release*, 1984, p 23.

²⁸ *Annual Survey*, *op. cit.*, p 562.

²⁹ See *Rand Daily Mail*, 15 October 1984. Mr Job Schoeman, Chief Public Relations Officer for the Department of Black Education and Training, was quoted as saying that they would not recognise black student bodies and would not allow pupils to dictate to them.

³⁰ By the time COSAS was banned the Detainees' Parents Support Committee (DPSC) estimated that about 500 of its members had been detained by the police under the State of Emergency regulations. See Clare Harper, 'Wide, angry reaction to COSAS banning', *Cape Times*, 29

Another important aspect, often overlooked when examining the problems of black education, is the subject of the twenty-year age limit at high schools. Hundreds of students have been refused re-admission to high schools because they were older than twenty years. Judging by the fact that only 50.13 per cent of black matriculants—Standard 10 or twelfth school year—passed their examinations at the end of 1984 it can be seen that a fair proportion of students seek re-admission annually at high schools.³¹ For these and other reasons—including the fact that black teachers are generally not well-qualified or equipped to ensure that students finish their schooling in the minimum time period—students regard an age limit of twenty years as punishing them for being the products of a system created by apartheid.³² But little was done by the government to redress the main student grievances which are the same nation-wide: restrictions on the SRCs, excessive corporal punishment, sexual harassment of schoolgirls, the twenty-year age limit, the fact that not all books are free as in white schools, and unqualified teachers. These are just the more urgent demands apart from which there are issues, such as overcrowded schools, inadequate buildings and minimal sporting facilities. A report released in October 1985 by the Western Cape Teachers Union (WECTU) states that in South African society 'key economic issues are not made on the basis of human needs but on the desire for profit for the wealthy few'. The report adds that schools contribute to the maintenance of this 'stratified labour force for the capitalist system'. 'The gross inequalities in our education system and such alarming failure rates are not the result of some unfortunate historical accident but are there and remain there by design' . . . ends the WECTU report.³³

August 1983. After the banning of several organisations in 1977 there was a lull in student activities. In 1978 COSAS was formed and after affiliating to the UDF in 1983, it became very active at high schools. COSAS coordinated the school boycotts and organised protest action. Its stated aims included 'normalising' relationships between teachers and students; creating a spirit of trust, responsibility and creative companionship and striving for a dynamic, free and compulsory education. See Sipho Ngcobo, 'How COSAS rose from obscurity to enemy No. 1', *Business Day* (Johannesburg) 30 August 1985.

³¹ Figure supplied by the Department of Black Education and Training in October 1985.

³² See Department of Education and Training Annual Report 1983 RP65/1983. The report states that the highest proportion of teachers in black schools 44.5 per cent have a junior secondary education, ie standard eight, or ten years of schooling. A further 15.5 per cent have a primary teaching certificate, 6.9 per cent have a senior teaching certificate and 2.1 per cent have a university degree.

³³ Yazeed Fakier, 'Teachers cannot be neutral, says WECTU', *Cape Times*, 15 October 1985

The impact of unemployment

Towards the end of last year the escalating unemployment was conservatively estimated at 1.5 million, slightly more than 10 per cent of the workforce, but more radical estimates say that up to 4 million people could be jobless. An accurate figure is impossible to determine because the government keeps records for whites, Coloureds and Indians only, among whom unemployment has risen by 131 per cent to 69,534 for the year ending August 1985. Unlike the people in the other race categories, blacks do not receive unemployment benefits. Professor Wolfgang Thomas of the University of the Western Cape estimated late last year that each month about 100,000 people were losing their jobs.³⁴

South Africa's high inflation rate, running at the highest level since the end of World War II, has resulted in astronomical price increases on consumer goods and one of the results is that the already alarming level of malnutrition is on the increase.³⁵ According to Dr A R P Walker, head of the Human Biochemistry Unit at the South African Institute for Medical Research, nutritional deficiency was causing a high incidence of sickness and death among the poor, while for the affluent and mostly white sector of the society health problems related to nutritional excess such as heart disease, dental caries, obesity, hypertension, diabetes and breast and colon cancer.³⁶ The South African Red Cross society has estimated that about three million children in the country suffered from malnutrition. Professor John Hansen of the Department of Paediatrics and Child Health at the University of the Witwatersrand, claims that about a third of all black children under fourteen years are underweight and have stunted growth due to poor nutrition.³⁷

A violent culmination

On all fronts in the black townships pressure conducive to insurrection and violence built up from the start of 1984 and exploded into the worst violence the country had seen since the 1976 uprisings. Denied the sympathetic ear of the government, angry students, parents battling

³⁴ Lesley Lambert, 'Jobless rate up 131% in 12 months', *Business Day*, November 1985, p. 1.

³⁵ The country's 16.6 per cent annual inflation rate is the highest since World War II and some retailers have predicted that it could rise to 20 per cent in 1986. See Stephen Cranston, 'Retailers predict rampant inflation', *Business Day*, 13 November 1985.

³⁶ *Annual Survey*, *op. cit.*, p. 723.

³⁷ J Hansen, 'Food and nutrition policy with relation to poverty: the child malnutrition problem in South Africa', Second Carnegie Inquiry into Poverty and Development in Southern Africa, April 1984 Cape Town.

against a rising cost of living, and workers all joined forces within community organisations to protest against racial and economic injustices. As it became increasingly intolerable for black people to bear the brunt of apartheid, there were strikes, clashes with police and violence against black government-employed workers or those deemed to be 'collaborating' with the oppressive system.

In an area of the Transvaal known as the Vaal Triangle, people observed a one-day stay-away in September 1984, as a protest against unaffordably high rents. The average rent in this area is higher than the rents black people pay in other parts of South Africa. Although for black people Johannesburg has the highest cost of living, the rents in this city are about R10 (about £2.50 sterling), cheaper than rents in the Vaal triangle.³⁸ Within a few days of the strike, thirty-one township dwellers were killed. Some of the dead were blacks who served on the government-created village boards (community councils) and others were killed in clashes with the security forces.³⁹ Black violence against fellow blacks became a feature of the unrest in South Africa as state repression increased—blacks became more angry at those in their midst whom they considered to be willing agents of a system responsible for so much suffering.

Several days after the Vaal Triangle protest ended in death and property damage of about R30 million (about £7.5 million), rent and electricity increases were shelved for a year.⁴⁰ But this concession was overshadowed by events weeks later when 500 persons were arrested for attending a funeral that the local magistrate had banned.⁴¹ This heavy-handed action and disregard for the rights of black people, even to bury their dead, typifies the response of the South African authorities to even minor demands from the black community, where there is a growing credibility gap between the state's reformist utterances and strong-arm tactics on township streets.

Student unrest was sparked off almost as soon as black schools

³⁸ J F Potgieter, 'The household subsistence level in the major urban centres of the Republic of South Africa', September 1984, Institute for Planning Research, University of Port Elizabeth. According to information supplied by Market Research Africa, the average monthly household income for a black family was R273 (about £68 sterling in 1984). At the same time, whites earned a monthly average of R1,834 and for Coloureds the figure was R624. See *Annual Survey, op. cit.*, p 241.

³⁹ *Annual Survey, op. cit.*, p 65.

⁴⁰ 'Unrest: increase in rents scrapped', *Cape Times*, 6 September 1984.

⁴¹ '650 Held - most at Vaal funerals', *Cape Times*, 24 September 1984.

opened in 1984. By the end of that year about 22,000 high-school pupils were boycotting classes.⁴² Failing to deal with the causes of the township disturbances, and in keeping with their usual stance of confrontation, defence force troops were deployed to restore 'order' in three Transvaal townships in October 1984. Township residents saw the presence of the troops in their neighbourhoods as a declaration of civil war on them and their children. The South African spiral of apartheid's legalised violence, violent reaction and repressive counter-action seems never-ending. In January 1985, a government survey into the unrest in the Vaal Triangle townships came to the remarkable conclusion that dissatisfaction with the education system had not played any part in the unrest of the previous year. The survey report cited possible black municipal maladministration and the fact that people did not understand the working of the new black local authorities properly, as the reasons for the rioting.⁴³ The survey did not take into account the fact that far from a lack of understanding, blacks rejected government-created local authorities because people clearly understood how little real power the community councils could exercise within the framework of apartheid. In the Eastern Cape an entire village council resigned because of community pressure and the councillors' inability to improve conditions in their township. The former community councillors said they were not given a hearing by the authorities and were seen as 'civil servants who helped the government in implementing its apartheid policy'.⁴⁴

Sharpeville re-lived

No single incident in the country's recent history demonstrates more clearly the brutal intransigence of white authority than the police killing of seventeen mourners on their way to a funeral near Uitenhage in the Eastern Cape. The funeral killings took place on the anniversary of Sharpeville (1960) when sixty-nine people taking part in a peaceful defiance campaign were shot and killed. On 21 March 1985, as South Africans were commemorating the twenty-fifth anniversary of the Sharpeville dead, police fired on a peaceful crowd of mourners in the Eastern Cape. The people were walking from one township to another to bury an unrest victim. Subsequently it was found, as in the case of the

⁴² *Annual Survey, op. cit.*, p xx.

⁴³ 'Education not cause of riots', *Cape Times*, 3 January 1985.

⁴⁴ 'Entire village council resigns', *Cape Times*, 7 January 1985.

killings of twenty-five years ago, that most of the black victims were shot in their backs.⁴⁵

In the wake of the incident and acting on information given by senior personnel in his department, the Minister of Law and Order, Louis Le Grange, later misinformed parliament on the killings. He said that the crowd of mourners were armed with 'stones, sticks, petrol bombs and bricks' and that they were confronted by a police unit and told that their march was illegal. The minister claimed that the commanding officer fired a warning shot and the crowd allegedly retaliated by surrounding the police and throwing stones, sticks and petrol bombs. According to the minister's account—subsequently rejected by an official inquiry—the police then fired in self-defence.⁴⁶

A government-appointed commission of inquiry, headed by Justice Donald Kannemeyer, found that the unnecessary banning of a funeral on that day and ill-equipped police were mainly responsible for the incident. The judge found that several allegations that Le Grange had made in parliament were untrue, including the fact that the police were surrounded and stoned as well as petrol-bombed. The Kannemeyer Report, tabled in parliament in June 1985, dismissed police claims that they had found traces of exploded petrol bombs and an unexploded bomb with fingerprints.⁴⁷ The Kannemeyer Report's most damning indictment states: 'Had the holding of the funeral not unnecessarily been prohibited on doubtful grounds, there can be little doubt that the procession would have passed through Uitenhage without incident'. The Report stated that thirty-five of the forty-seven killed had been shot in the back.⁴⁸

Emergency

As the country-wide disturbances showed no signs of abating, the government made their first move towards the declaration of the State of Emergency and banned the meetings of sixty-four black

⁴⁵ In 1960 the ANC called for a peaceful protest against the pass laws. In a defiance campaign organised to start on 21 March 1960, black people were told to leave the pass books—blacks are still legally compelled to carry these books at all times—at home and offer themselves up for arrest. In Sharpeville, near Vereeniging in the Transvaal, the police opened fire on a peaceful group of black people, killing sixty-nine and injuring 178 others. A State of Emergency was declared and 1,900 people were detained or arrested. See Benjamin Pogrand, 'That sunny day in Sharpeville', *Rand Daily Mail*, 21 March 1985.

⁴⁶ '17 shot dead', *Cape Times*, 22 March 1985.

⁴⁷ 'Police exaggerated evidence of crowd's weapons', *Cape Times*, 12 June 1985.

⁴⁸ 'Funeral banning and ill-equipped police blamed for deaths', *Cape Times*, 12 June 1985.

organisations in thirty magisterial districts in June 1985.⁴⁹ However, the violence was taking on added dimensions daily and one sinister aspect to emerge was the increasing attacks, often fatal, on political activists. Many of these crimes were never solved by the police. In one particularly horrific killing, four UDF leaders in the Eastern Cape, Matthew Goniwe, Ford Calata, Sparrow Mkhonto and Siceio Mhlawuli were found stabbed and burnt to death. The car in which they were travelling on their way home from a meeting was also burnt out. Despite a R40,000 reward offer—most of it put up by the UDF—the police have not made any headway in their investigations. Unrest spread to the Western Cape when pupils boycotted schools to commemorate the deaths of the four men.⁵⁰

Amid glaring international publicity on events in South Africa, the government declared a State of Emergency in thirty-six magisterial districts on 21 July 1985. By November the political violence death-rate had more than doubled. Professor Alf Stafler of the University of the Witwatersrand ascribed the rise in the number of deaths to the increasing willingness of both sides to use force.⁵¹ In the year ending October 1985, about 800 people died as a result of political violence, 4,000 were injured and there were about 19,000 riot-related arrests.⁵² Figures compiled by the South African Institute of Race Relations show that there had been only 175 unrest deaths in 1984.⁵³

The Emergency declaration gave the already notorious South African police even wider powers and President Botha claimed that these were aimed at restoring peace in the troubled townships. However, initial state action proved that the Emergency was really aimed at silencing every dissenting voice in the South African political arena. In the first four months the police detained about 5,000 people under the emergency regulations. Under the 'normal' security legislation about 100 people were detained monthly since the beginning

⁴⁹ 'Govt bans meetings of 64 groups', *Cape Times*, 29 June 1985.

⁵⁰ An independent pathologist, appointed by the families of the four murdered UDF leaders, found they had died of multiple stab wounds—one had been shot in the head as well. The bodies were burned afterwards. See Chris Whitfield, 'UDF deaths horror', *Sunday Tribune* (Durban) 6 August 1985. Despite a R42,000 (about £10,500 sterling) reward from the UDF, academics and the police—they contributed R1,000—no headway has been made in police investigations.

⁵¹ Arlend Getz, 'Death toll has more than doubled since State of Emergency was declared', *Sunday Tribune*, 15 November 1985.

⁵² Graham Howe, *Indicator SA*, quarterly review of the Natal University's Centre For Applied Social Sciences, November 1985.

⁵³ *Sunday Tribune*, 15 November 1985.

of 1985. The majority of the detainees were students, teachers and community workers.⁵⁴

In the black townships the presence of defence force troops and the declaration of the State of Emergency were seen as the moves of a government out of control. To no avail community organisations warned the government that detaining community leaders would result in lawless elements stepping into the vacuum and lead to even more violence. A University of Cape Town report found that 83 per cent of the detainees were tortured.⁵⁵

When visiting South Africa in September, the historian and writer, Robin Hallett, stated that the police were prompting anarchy by their indiscriminate use of violence. 'It is a terrible indictment to have to make, but as a historian I find it impossible to avoid the conclusion that in their unrestrained use of violent tactics some sections of the police have in fact contributed to the sense of growing anarchy.'⁵⁶ What has become known as the 'Trojan Horse' incident, bears testament to Hallett's observations. On 15 October, police hid in packing-cases on the back of a civilian truck and as the vehicle approached a group of young protesters in a Coloured suburb of Cape Town, they opened fire with shotguns, killing three and wounding fifteen others.⁵⁷ The incident was given prime coverage on television screens world-wide and a few weeks later drastic curbs were placed on the domestic press and television and especially the foreign media operating in South Africa. No television reporting or photographing of unrest was to be allowed and newspaper reports were subject to even stricter state control. Under comparatively 'normal' circumstances the South African press is severely censored; the State of Emergency regulations introduced even more curbs and the increased news black-outs, introduced in November, made sure that a semblance of peace, at least, reigned in the homes of the white electorate, whose racially exclusive residential areas were far removed from the black townships. This drastic censorship was unashamedly justified on international television by the Deputy Minister of Information, Louis Nel, on the evidence of a letter to the editor of the *Daily Telegraph* (London). The published letter was purportedly from a holidaymaker who had seen foreign television crews inciting black

⁵⁴ 'Apartheid barometer', *Weekly Mail*, 1(23) 15-21 November 1985.

⁵⁵ Barry Streek, 'UCT report on detainees: 83 per cent tortured', *Cape Times*, 12 September 1985.

⁵⁶ R Hallett, 'Are the police promoting anarchy?', *Cape Times*, 9 September 1985.

⁵⁷ Tony Weaver, Ronnie Morris, Ebrahim Moosa and Arnold Kirkby, 'Three shot dead in Athlone', *Cape Times*, 16 October 1985.

children to riot in South Africa. When the letter was shown to be a fake, Vel then cited several accounts where foreign television crews had allegedly incited riots. None of the alleged incidents were substantiated by evidence.

Future action

The disheartening aspect of charting events in South Africa is the historical inability of the government to understand that black people do not want and will not live with apartheid and any of its forms—whether it is a tricameral parliament where a handful of blacks play the politics of collaboration or the confederal dream of the National Party where undoubtedly whites will rule whites in the rich white areas and blacks will have autonomy in their barren homelands and ghettos. At this point in the country's history the government and the few blacks who think their political salvation is dependent on the white Afrikaner minority are headed on a course of action that does not offer a peaceful alternative to the country's problems. If the government or its supporters were genuinely working towards peace, a round table convention—devoid of senseless political rhetoric about the ANC foregoing violence—would have been on their agenda. Instead, the architect of the National Party's reform plans, Chris Heunis, Minister of Constitutional Development and Planning, says that they are holding secret discussions with the credible black leadership.⁵⁸ If this were indeed a move to be viewed optimistically, it is puzzling why one of the most popular black leaders, the Bishop of Johannesburg, the Rt Reverend Desmond Tutu, was refused an opportunity to talk with the State President.⁵⁹ Black people believe that the South African government has moved about as far as it will willingly go along the road to real political reform and any further moves on the part of the state will be the result of increased pressure from both home and abroad.⁶⁰

The most important aspect of fundamental political change as

⁵⁸ Paul Bell, 'Silence! reform at work', *Business Day*, 19 November 1985.

⁵⁹ At the start of the emergency Bishop Tutu requested an appointment to see the State President so that they could discuss the serious unrest in the country. However, the President refused the opportunity. See Sophie Tema, 'Play games while SA burns', *Cape Times*, 30 July 1985.

⁶⁰ If South Africa's political policy were separate but equal opportunities and facilities for all races, as the country's rulers have always claimed, the international outcry would not be that vigorous. The unashamed inequality is why South Africa 'runs like a sewer through the conscience of the world', as one noted Afrikaans literary figure writes. See Andre Brink, 'Some aspects of culture and apartheid' in Peter Randall (ed), *Anatomy of Apartheid*, Johannesburg Sprocas, 1970, p 40.

opposed to the government's attempts thus far to disguise apartheid, is that it will not be accepted unless the government thrashes out a model for a future South Africa with black leadership that does have credibility. As one black writer notes: 'Change has to be negotiated, not imposed by the guilty party.'⁶¹ This means releasing the jailed ANC leader, Nelson Mandela, as well as all other political prisoners or detainees, allowing the exiles to return home and lifting the bans on individuals and popular organisations. In the present situation the white minority government has given clear indications that this is highly unlikely.

Exploring the viable alternatives, Mokgethi Motlhabi assesses the effects and limitations of guerrilla warfare as opposed to peaceful solutions. Motlhabi explores the role of the churches—historically, most white Christians have offered little moral resistance to apartheid—as well as the part to be played by the black trade unions and political organisations. According to him, black South Africans will ultimately be their own liberators with little assistance from Western countries or the UN, although he does concede that sanctions could have a positive effect. He concludes that:

It seems probable that change in South Africa will ultimately depend on the maturity of 'Black Power'; if this is understood as a direct, lasting challenge to the system by Blacks after summoning their strength and uniting in unrelenting action against it for better or for worse. All Black South Africans hope that this will come about peacefully. At this stage, however, very few Blacks have categorically ruled out of consideration other solutions which may be less peaceful.⁶²

⁶¹ Matlhabi, *Black Resistance to Apartheid*, *op. cit.*

⁶² *ibid.*

Interest group politics in the Third World

Although it is possible to characterise theoretical developments in the study of interest group politics during recent years as 'the decade of corporatism', it now appears that this decade has come to an end. Pluralism, temporarily supplanted but never extinguished, has been 'rediscovered' and found to be more resilient and more capable of rejuvenation than expected. In political analysis as in political life it seems that both paradigms are bound to coexist in changing proportions and to interact in various ways.¹

By now several writers, myself included, have argued that the concepts of pluralism and corporatism are most useful when not regarded as diametrically opposed ideal types or as coherent moulds shaping whole political systems. Instead it is theoretically more elegant and empirically more accurate to conceptualise them as alternative principles or modes of representation which can emerge and develop simultaneously in the same political system, trading positions of relative predominance in successive historical periods, across various socio-economic sectors, and even in different issue areas or geographic regions.²

Such an approach has several important implications for the comparative analysis of interest politics. It allows us to capture the persistently heterogeneous nature of many systems of interest

¹ For definitions of corporatism and pluralism see Philippe C Schmitter, 'Still the century of corporatism?', *Review of Politics*, 36(1) January 1974, pp 85-131: 'Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.' 'Pluralism can be defined as a system of interest representation in which the constituent units are organized into an unspecific number of multiple, voluntary, competitive, non-hierarchically ordered and self-determined (as to type or scope of interest) categories which are not specially licensed, recognized, subsidized, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories.'

² Similar points are made by many of the contributors to two recent volumes on Western Europe. Gerhard Lehmbruch and Philippe C Schmitter (eds), *Patterns of Corporatist Policy-Making*, Beverly Hills: Sage, 1982, and Suzanne D Berger (ed), *Organizing Interests in Western Europe*, Cambridge: Cambridge University Press, 1981.

representation in which both pluralist and corporatist structures play key and enduring roles, yet in which neither mode of representation attains anything approaching universal or permanent hegemony.

The task of tracing, mapping, and explaining persistently heterogeneous systems leads us to focus on conflict, change, and most of all on history. This encourages a more effective integration of the study of interest groups with the study of political development by drawing our attention to long-term historical transformations in associational life, especially in systems where the on-going tension and competition between pluralist and corporatist principles promotes periodic or even cyclical fluctuations in the predominant mode of representation.

Such a perspective invites us to classify different types of heterogeneous systems by identifying the major ways in which pluralist and corporatist subsystems tend to coexist and by identifying the consequences of each pattern of coexistence for the political system as a whole. For example, in an earlier work I advanced a preliminary classification of heterogeneous systems of representation into three types. I argued that all three patterns of associational heterogeneity could emerge at different times in the same political system. More generally, I also suggested that each pattern tends to characterise a different level of political-economic development and a different geographical-cultural area.³

Recognition and analysis of persistent associational heterogeneity has advanced farthest regarding the 'societal corporatist' systems of Western Europe.⁴ Several writers have noted that these covert and collaborative corporatist arrangements are embedded in and constantly interacting with political party organisations which still dominate more

³ Robert Bianchi, *Interest Groups and Political Development in Turkey*, Princeton: Princeton University Press, 1984, chap. 9. I identified cases of 'segmentary coexistence' in which the mutual isolation of differentially organised sectors tends to suppress the expression of interest conflict, cases of 'representational dualism' in which the antagonistic competition of pluralist and corporatist coalitions tends to exacerbate interest conflict and cases of 'symbiotic coexistence' in which the harmonious collaboration of pluralist and corporatist sub-systems tends to resolve interest conflict. I examined segmentary coexistence in several authoritarian regimes in Asia, representational dualism in the fragile democracies of Latin America's industrialised southern cone, and symbiotic coexistence in the democracies of Western Europe.

⁴ Schmitter distinguishes between two varieties of corporatism in which interest groups are similar in structure but very different in terms of their relations with the state. He speaks of 'societal corporatism' in democratic systems where groups are relatively autonomous of state control and exert a strong influence in the policy-making process versus 'state corporatism' in authoritarian systems where groups are subordinated to state control and are penetrated by official bureaucratic and party organisations. Schmitter, 'Still the century of corporatism?', *op. cit.*

public and competitive pluralist arenas of decisionmaking. Indeed, it is now commonly suggested that societal corporatism, once seen as a remedy to the supposed inadequacies and excesses of pluralism, has itself generated an unanticipated pluralist resurgence by provoking party-electoral realignments, rank and file revolts within associational cartels, and new social movements of previously quiescent 'policy-takers'.⁵

Similar, though less numerous, accounts of heterogeneous systems have appeared concerning the deeply divided democracies of Latin America that preceded and paved the way for a new generation of 'bureaucratic-authoritarianism' and dependent development. Many writers have explained that democracy in these countries was torn apart by uncontrollable polarisations between left and right in which pluralist groups confronted corporatist groups as mutually exclusive channels mobilising antagonistic social classes. In each case, after prolonged stalemate, military might purged the system of its pluralist 'inconsistencies' and firmly established the dominance of 'state corporatism'.⁶

The study of associational heterogeneity is considerably less advanced in the areas of the Middle East and Asia. Interest group politics in these regions commonly are perceived either as inadequate attempts to replicate classic Anglo-American models of democratic pluralism or as budding imitations of Latin American varieties of authoritarian corporatism. Authoritarian regimes in many Middle Eastern and Asian countries have, indeed, promoted corporatist associations as instruments of social control. But they generally have avoided the high levels of repression that would be necessary to eliminate the vestiges of pluralism and to impose a uniform or cohesive corporatist system. Instead they have opted for strategies of corporatisation that are far more tentative, partial, and inconsistent

⁵ See, for example, Gerhard Lehmbuch, 'Concertation and the structure of corporatist networks', in John H Goldthorpe (ed), *Order and Conflict in Contemporary Capitalism*, New York: Oxford University Press, 1984, pp 60-80 as well as the essays by Claus Offe and Alessandro Pizzorno in the Berger volume.

⁶ Philippe Schmitter, 'The "Portugalization" of Brazil?', in Alfred Stepan (ed), *Authoritarian Brazil*, New Haven: Yale University Press, 1973, pp 179-232; Robert Kaufman, *Transitions to Stable Authoritarian Corporate Regimes: The Chilean Case?*, Beverly Hills: Sage, 1976; and Guillermo O'Donnell, *Modernization and Bureaucratic-Authoritarianism*, Berkeley: University of California Institute of International Studies, 1973.

than the Latin American examples with which often they are compared.⁷

An eclectic and alterable mixture of corporatist, pluralist, and hybrid structures may be attractive to authoritarian modernisers for several reasons. It alleviates the need for sustained and widespread campaigns of coercion involved in more ambitious efforts to recast entire associational systems from a common mould. It promotes a shared sense of weakness and disorganisation among groups isolated in differentially structured compartments that can be reshuffled at the whim of the ruling elite.

A mixed system of representation can help to preserve the autonomy of the authoritarian state not only *vis-à-vis* potential opponents, but also *vis-à-vis* ambitious allies aspiring to become full coalition partners or to manoeuvre the state into guaranteeing a particular imbalance of power between contending social classes. Finally, such a system can provide authoritarian modernisers an important measure of flexibility and adaptiveness in reordering their relations with dominant and subordinate social groups. This can enhance a regime's chances of implementing and surviving abrupt changes and even complete reversals in its economic policies, its social bases of support, and its international alliances.

In many mixed authoritarian systems the coexistence of pluralist and corporatist structures produces paradoxical results. Indeed there is a frequent and ironic inversion of roles between groups that challenges our conventional expectation that pluralism will promote pressure for more genuine democracy while corporatism will buttress ever more invincible forms of authoritarianism. Instead we see several systems in which pluralist policies operate not as catalysts for disruptive participation and demand-making, but as valuable instruments of authoritarian control. Similarly, corporatist policies of co-optation, 'concertation', and coercion often unwittingly provoke precisely the kinds of political opposition they seek to prevent and even provide them with ready-made channels for counter-mobilisation.

Pluralism can help to support stable authoritarianism in several ways. It can maintain a facade of voluntarism and respect for the freedom of

⁷ Two examples of such regimes are Indonesia and Thailand. Dwight King, 'Social mobilization, associational life, interest intermediation, and political cleavage in Indonesia', PhD dissertation, University of Chicago, 1977 and Montri Chenvidyakarn, 'Political control and economic influence: a study of trade associations in Thailand', PhD dissertation, University of Chicago, 1979.

association that is sufficient to satisfy the very modest expectations of international lenders and donor democracies for evidence that non-communist authoritarians are behaving in a tolerant, 'tutelary' or even quasi-democratic manner. It can serve as a powerful tactic of disorganisation and fragmentation by delaying the emergence of unified representatives in sensitive sectors and by promoting the proliferation of weak, financially dependent and squabbling leaders who can be manipulated and discarded by government patrons.

Pluralism also can allow state security and intelligence agencies to acquire otherwise unattainable information about the strength and intentions of interest group leaders and to amass copious files of their 'subversive' statements and activities for later use in criminal proceedings. Finally, pluralism can serve as a form of punishment for group leaders who refuse to collaborate in state-controlled corporatist arrangements and as a vivid reminder of the marginal, precarious, and impotent roles awaiting current collaborators who might try to exploit the privileges of corporatism in an independent manner.

Alternatively, corporatist policies can seriously destabilise and even help to undermine authoritarian regimes. In some sectors corporatism can become too co-optive and 'inclusionary'. This can result in a partial surrender of policy-making to veto groups whose political support is indispensable to the authoritarian coalition, but whose privileges nevertheless must be curtailed if the regime is to adapt and survive. In other sectors co-optation of particular leaders and organisations can result in the alienation of a general constituency and its recurrent explosion in rank-and-file revolts against the isolation and betrayal of its own representatives.

Corporatist policies have an uncanny propensity for dividing those they seek to unite and uniting those they seek to divide. On one hand, the clearly discriminatory and 'asymmetrical' nature of most corporatist arrangements can intensify rivalry and disarray within and between the very sectors the state wishes to rationalise and coordinate. On the other hand, all sorts of aggrieved groups which are excluded from or unsuccessful in the corporatist arena may be able to suspend their mutual differences long enough to collaborate in fashioning a parallel and competing pluralist arena as the preserve of a mounting political opposition.

No authoritarian regime relies exclusively or even primarily on corporatism. The unreliability of corporatist means of social control and the vulnerability of authoritarian regimes that employ them are evident

from the long list of alternative control techniques that invariably are required to reinforce and sustain the edifice of corporatist occupational associations. This list includes cosmetic islands of associational pluralism; contrived party-electoral systems and recurrent promises of 'political openings'; incessant ideological campaigns, production drives, and neo-traditionalist revivals; the launching, atrophy, and reincarnation of successive ruling party organisations; multiple and overlapping domestic intelligence services; the exaggeration or fabrication of external threats to national security; and, when all else fails, coercion, terror, and exile.

The prevalence in the Middle East and Asia of heterogeneous systems of representation requires a rethinking of conventional assumptions, derived primarily from Western European and Latin American experiences, about the historical and causal connections between pluralism and corporatism. For example, most analysts of societal corporatism and state corporatism regard corporatist arrangements as comprising a new system of interest representation that arises in response to and ultimately *replaces* a more 'unruly' pluralist system.⁸ However, many authoritarian modernisers in the Middle East and Asia have tried to use corporatism as a *supplement* to pluralism rather than as a replacement for it. They intentionally have avoided trying to impose ambitious and cohesive corporatist systems, preferring instead to combine supposedly incompatible elements of both pluralism and corporatism. Moreover, in many countries where authoritarian elites have attempted to force associational life into a tighter state corporatist mould their regimes have been deeply shaken or overturned by unanticipatedly powerful oppositions. In these cases it may be more accurate to argue that corporatism itself has been a source of new political instability and the unintended *cause* of a more vigorous pluralism.

'Unruly' corporatism in the Middle East and Asia

Observers of societal corporatism in Western Europe and state corporatism in Latin America commonly argue that these systems are more stable or governable to the degree that corporatist structures and processes have eclipsed pluralist ones. Regarding the Middle East and

⁸ See, for example, Schmitter's essay in the Berger volume where pluralism is closely identified with 'unruliness' and corporatism is identified with political stability.

Asia, however, there is substantial evidence that corporatism is most effective when combined and diluted with pluralist elements in a heterogeneous system of representation, especially when the segmentary coexistence of isolated and differentially organised groups serves to fragment civil society and prevent the emergence of autonomous centres of power.

Alternatively, corporatism is most troublesome and destabilising when authoritarian elites abandon such flexible and pragmatic arrangements and try to reshape associational life into a more cohesive instrument of political domination and economic mobilisation. When authoritarian modernisers with diminishing political tolerance and rising economic ambitions seek to impose a 'purer' brand of corporatism they may unwittingly pave the way for the coalescence of previously divided or mutually hostile groups into a new opposition movement that can threaten the very existence of the regime or greatly reduce its autonomy from the demands of specific social and economic sectors.

I will attempt to illustrate these points with examples of unstable and self-defeating corporatist experiments in four authoritarian regimes in the Middle East and Asia—the experiments of Anwar Sadat in Egypt, Muhammad Reza Shah Pahlavi in Iran, Park Chung Hee in South Korea, and Indira Gandhi's emergency regime in India. These countries are quite diverse in terms of both degree and type of interest group organisation. Associational life is most advanced and heterogeneous in Egypt where it is predominantly corporatist and in India where it is predominantly pluralist. Associability has been substantially more repressed in Iran and South Korea, yet both countries possess extensive corporatist structures in some key sectors. In Iran, merchants and religious leaders preserved unique and powerful forms of traditional corporatism capable of checking and ultimately helping to smash the power of the modern state. In South Korea, soldiers and technocrats took their hopes for rapid industrialisation and political survival on their ability to fashion new forms of corporatist control for a working class whose numbers multiplied five times in less than two decades. In each of these countries, however, efforts to establish a 'new authoritarianism' through the abrupt introduction or intensification of state corporatist policies produced not a Third World replica of bureaucratic-authoritarianism', but a more powerful political opposition containing many newly strengthened elements of pluralism.

Egypt: the ambivalent corporatism of Anwar Sadat

Anwar Sadat never came to terms with the extensive but incoherent network of corporatist occupational groups that he inherited from Jamal Abd al-Nasser. At first, he regarded them as potentially dangerous vestiges of authoritarian socialism that were incompatible with his supposed desire to redirect Egypt toward capitalist and democratic development. Then as Sadat became disenchanted with pluralist strategies of reform, he began to fashion his own improvised brand of corporatism as a more cautious and controllable means of combining political and economic liberalism. Finally, Sadat abandoned both pluralist and corporatist policies of democratisation and prepared instead for the coercive imposition of a more comprehensive and centralised system of authoritarian corporatism.

As long as Sadat tolerated and manipulated Egypt's traditional mixture of contrived pluralism and incoherent corporatism he was remarkably successful in almost single-handedly reversing his country's economic and foreign policies despite mounting protests from a wide variety of aggrieved groups. But, as it became increasingly clear that he had opted for a more ambitious authoritarian design, Sadat triggered simultaneous confrontations with numerous groups many of which temporarily overcame their deep divisions to form an unusually broad and unified opposition movement. The traumatic results of these confrontations, including the assassination of Anwar Sadat, have made Egypt's current rulers more reluctant than ever to risk antagonising powerful and well-organised interests. Thus Sadat's efforts to bolster the authoritarian regime with tougher corporatist policies has, in fact, weakened its ability to formulate any decisive strategy of reform. The result has been a new period of drift and procrastination in which the country's economic stagnation continues and its social conflicts intensify.

From 1970 until 1976 Sadat perceived Egypt's largest occupational associations—the labour unions and agricultural cooperatives—as particularly menacing 'centres of power' that could be used to mobilise support for his opponents on both the left and the right. Sadat was not eager to endorse any pluralist reform of the party and electoral systems until he was confident that these key corporatist groups would not fall into the hands of the Nasserists, communists, and Wafdist. Thus he moved swiftly to purge and thoroughly restructure the union and cooperative movements while allowing one committee after another to debate countless proposals for the transition from single-party dictatorship to multi-party democracy.

Sadat encouraged a year-long muck-raking campaign against the president of the Confederation of Agricultural Cooperatives whom he suspected was helping to prepare provincial and village organisations to back Wafdist candidates well in advance of the 1976 parliamentary elections. Sadat's goal was not merely to remove a potential opponent from a sensitive position, but to emasculate the cooperative movement as a whole. While the confederation president was on trial for corruption and embezzlement the confederation itself was abolished, leaving a multitude of small and scattered cooperatives with no independent centre of coordination or financing. Eventually, most of the functions, funds, and even the buildings of cooperatives were turned over to a new network of 'Village Banks', operating not as government credit agencies but as local investment banks promoting the business enterprises of the regime's supporters among the rural middle class.

Sadat did not risk this sort of broad attack against the far stronger and better organised labour movement. Rather than try to cripple or abolish the General Confederation of Labour Unions he assented to a series of centralising reforms that greatly enhanced its powers as a peak association while cutting it off from its own constituency.⁹ Of course, these measures did not diminish the opposition of many labour leaders to the dismantling of the Arab Socialist Union or the discontent of workers with capitalist economic policies. This was already evident from the poor performance of government-backed lists in urban-industrial areas during the 1976 elections, and it was dramatically underscored in the nationwide 'bread riots' of January 1977. Nevertheless, Sadat's ability to isolate growing working-class opposition was greatly aided by his encapsulation and neutralisation of the top union leaders who, in turn, played upon the government's insecurities in order to extract still more organisational concessions and privileges.

Once he had dealt with the cooperatives and unions, however, Sadat's early aversion to corporatism quickly disappeared. By early 1977 he was in clear retreat from encouraging the emergence of a pluralist process that was certain to be exploited and perhaps controlled

⁹ By 1976, confederation leaders were granted most of the demands for union reorganisation that Nasser had accepted in principle during the mass protests of 1968, but which never had been codified. Confederation leaders were given legal guarantees of job security and retirement benefits, *ex officio* status in planning boards and policy councils, exclusive control over leadership training programmes, authorisation to establish an independent bank, stronger control over union federations and locals, and greater immunity from electoral challenges and rank-and-file protests.

by his opponents. During the next four years he shifted his efforts away from launching a new system of competitive parties and toward reshaping the existing set of corporatist interest groups into more reliable instruments of control and co-optation. Yet even during this period Sadat's brand of corporatism was highly idiosyncratic and eclectic, still tolerating and manipulating many features of pluralism rather than trying to extinguish them.

First, the presidential personality was increasingly endowed with neo-traditionalist attributes of religiosity and paternalism. The president was now known as 'the believing president' (*al-ra'is al-mumin*), *Muhammad* Anwar Sadat. He referred to himself as 'the elder of the Egyptian family' (*kabir al-aila al misriya*) and the guardian of authentic national morals which supposedly were best exemplified in the unspoiled fabric of village society. Weekend newscasts invariably were dominated by films of the president performing the Friday noon prayer in his family's village of Mit Abu al-Kum and then appearing, clad in his *gallabiya* and holding his walking-staff, to 'consult' with members of the village council.

Second, electoral and judicial processes were distorted to reflect these presidentially personified values and to enforce the tyranny of the provincial majority. A long list of plebiscites produced predictable but incredible majorities ratifying constitutional amendments that included restrictions on political party formation, abridgements of the freedom of association, and new means of press censorship. A new 'Law for the Preservation of Values' (dubbed the 'Law of Shame' by its opponents) established a special court to deal with trouble-makers who 'defamed' the nation, especially those who criticised Sadat's 'normalisation' of relations with Israel.

Third, Sadat made a particular effort to strengthen his alliances with several corporatist syndicates in the business community and among middle-class professionals. Sadat used a variety of techniques to transform these associations into more reliable bases of political support and more effective agents of capitalist development. He encouraged grater colonisation of the syndicates by the ruling party; he packed the memberships of these groups with large numbers of civil servants who were far more susceptible to government pressures than their colleagues in the private sector; he promoted a new spirit of 'syndical capitalism' by providing profitable opportunities for professional associations to establish business enterprises, including joint ventures with foreign investors; and, when necessary, he redrafted laws regulating syndical

organisation and activity to tip the balance of power in favour of pro-government factions.

Fourth, Sadat made a grand if half-hearted display of his willingness to share power with the leaders of occupational associations in a kind of 'corporatist democracy'. During the holy month of Ramadan 1979 he met each evening after the *iftar* (fast-breaking) meal with a different assemblage of interest group leaders to discuss creating an 'upper' chamber of the legislature whose members would be drawn primarily from the corporatist associations. Business representatives were particularly candid and straightforward in outlining their view of the president's alternatives for structuring the new Majlis al-Shura (Consultative Assembly). If the chamber was to be a true syndical parliament with legislative powers, they said, then its members should be elected from the various functional groups comprising the 'Egyptian family'; on the other hand, if the chamber was to be a ceremonial body, then the president should appoint its members and leave the syndicates out of the matter altogether.¹⁰

Typically, Sadat chose neither of these clear alternatives, preferring instead a hybrid formula that eventually alienated most of the groups it was designed to co-opt. The Majlis al-Shura was created in 1980 as a consultative chamber with very limited policy-making powers that amounted to supervising a cumbersome new system of press censorship. One half of its members were elected not from corporatist syndicates, but from party lists in geographical districts as in the People's Assembly. The other half of its members were appointed by the president as representatives of key functional groups and national institutions. However, the syndical leaders had no role in the selection and there was no effort to revive any of the quota systems or schemes of functional representation that Nasser had devised in the 1960s. All of the opposition parties boycotted the elections to the Majlis al-Shura and several prominent presidential appointees declined their seats. Thus the net product of Sadat's experiment in corporatist democracy was a collection of local party functionaries and aged luminaries who represented no one and who had virtually nothing to do.

Disappointed with these meagre results, Sadat finally turned to much tougher corporatist measures. By the end of 1980 he had become highly irritated with the considerable room for manoeuvre that his opponents

¹⁰ These conversations are recorded in the minutes of President Sadat's meetings with interest group leaders. *Al Haya al-Amma lil-Istalamat, Misr wa Masirat al-Dimuqratiya* [Egypt and the Journey of Democracy], Cairo: Mataba al-Akhbar, 1980.

found in Egypt's *mélange* of pluralist and corporatist associations. Over the next several months he confronted one group after another with the threat of reorganisation and tighter state controls. The ruling party orchestrated the replacement of critical leaders in the journalists' syndicate by pro-government candidates. The People's Assembly dissolved the executive committee of the bar association and drafted a clearly punitive statute transforming the lawyers' relatively flexible and autonomous corporatist groups into the most rigid and highly regulated of all professional syndicates. Religious associations and private mosques—the only areas of associational life that remained predominantly pluralist—were placed under investigation for possible closure or outright annexation by the government.

By August 1981 Sadat was engaged in open struggles with all of the opposition parties (legal and illegal), several important interest groups (pluralist and corporatist), and a host of religious organisations (Muslim and Christian). He was surprised and alarmed to see that the traditionally effective barriers of organisational, ideological, and communal divisions were no longer adequate to prevent the coalescence of a heterogeneous opposition movement around a common set of powerful grievances—growing restrictions on political freedom, unchecked economic corruption and inequality, the failure of the Camp David 'process', and the government party's exploitation of religious disputes. Sadat's response to this challenge was the mass internment of over 1,500 persons representing virtually every shade of unofficial opinion, the exile of the Pope of the Coptic Church, and the immediate nationalisation of all non-government mosques. These attacks on the few remaining vestiges of associational autonomy provoked an even greater political crisis that culminated in Sadat's murder and that abated only when his successor took clear steps to free opposition leaders and to seek their cooperation.

Husni Mubarak benefited greatly from the general sense of relief that followed the assassination. He succeeded in promoting a welcome and quite lengthy 'era of good feeling' by holding regular summit meetings with the political opposition, by exposing some of the more spectacular examples of corruption among the new class of 'open door' entrepreneurs, and by inviting debate and revision of many of his predecessor's unpopular economic and foreign policies. Gradually, however, Mubarak's flexibility and accommodativeness were seen as concealing deeper signs of indecision and inconsistency, especially concerning competing strategies of economic development. Time after

time he has made incompatible commitments to international creditors and domestic interest groups, to labour unions and employers, to economic nationalists and free traders, to the wasteful socialism of the public sector and the corrupt capitalism of the private sector.

Mubarak has tried to reassure Egypt's most powerful social and economic groups that their competing demands can be reconciled by allotting each of them a secure niche or compartment in an economy that increasingly is becoming partitioned into differentially organised sectors and sub-sectors. In fact, this strategy has tended to intensify interest group competition, not to moderate it. The result has been a series of embarrassing reversals in important areas of economic policy as well as deepening divisions within the government itself as more and more ministries seek to veto initiatives that threaten the entrenched interests of their bureaux and constituencies.

Many of the same corporatist associations that originally had been fashioned as instruments of authoritarian control and economic regulation have become key contributors to the paralysis of the state and the fragmentation of the economy. The labour unions forced the Mubarak government to retreat from proposals for partial divestiture of public sector industries and to soften planned reductions in consumer goods' subsidies. Businessmen's groups weakened and eventually nullified government efforts to re-establish control over the banking and importing systems. The bar association claims that the new government's coolness toward Israel and gradual rapprochement with the Arab world has vindicated the syndicate's long years of opposition to Sadat's foreign policy. Leaders of the journalists' syndicate are joining forces with university students to demand the reinstatement of student unions abolished by Sadat. And a broad coalition of nationalist protesters recently manoeuvred Mubarak into using police force in a vain effort to defend the Israeli flag from burning at a Cairo exhibition centre.

The loose and alterable set of corporatist structures inherited from the Nasserist era were indispensable to Anwar Sadat's efforts to keep his enemies off-balance while carrying out far-reaching changes in the social bases of Egypt's authoritarian regime and in its economic and foreign policies. Sadat found numerous ways of manipulating and modifying corporatism, the most effective of which included admixtures and trappings of pluralism. However, when Sadat became intolerant of the openness of corporatist channels to manipulation by his opponents as well, he began to threaten the very flexibility and heterogeneity that

had made Egypt's associational life so useful to his shifting authoritarian strategies. Sadat's intention to remould Egyptian corporatism into a more cohesive system of control—an Egyptian variety of state corporatism—resulted instead in a counter-mobilisation of both corporatist and pluralist groups that jolted his regime and seriously limited the decisional autonomy of his successor.

Iran: the corporatism of the Shah versus the corporatism of the bazaar

For more than twenty years after the American-sponsored *coup d'état* that overthrew Musaddiq and the National Front, the Shah was extremely reluctant to permit any system of interest representation in Iran, pluralist or corporatist. The Shah's hostility to pluralism is easily understood. The rapid upsurge of voluntary associability between 1941 and 1953 among workers, farmers, students, intellectuals, and professionals had been so decisively dominated by the Tudch Party that even limited tolerance of pluralism must have seemed incompatible with the preservation of the monarchy, especially in the earlier years of the 'restoration'.

His aversion to corporatism, however, was more complex and less enduring. The Shah evidently feared that any new representative institutions created from above eventually could be infiltrated by his enemies and used against him. Even during the 1960s when his regime was on much firmer footing the Shah did not attempt to revive the collection of state-sponsored occupational groups that the aristocratic prime minister, Ahmad Qavam, had promoted in the late 1940s to draw off support from the left's more extensive forces.¹¹ Perhaps the Shah's hesitance to experiment with corporatist techniques of control can be explained by two important factors: one regional and ideological, the other national and historical.

Until the beginning of the 1970s the leading prototype of authoritarian corporatism in the Middle East was, of course, Nasserism. This, in turn, was synonymous with all of the forces that the Shah dreaded most—anti-imperialism, socialism, revolution, and, naturally, republicanism. Such an alien, menacing, and rhetorically charged variety of corporatism could only have confirmed the Shah's suspicion that even a highly contrived form of associational life would not help sustain the throne, thereby reinforcing his tendency to rely on symbol manipulation, material rewards, and systematic terror.

¹¹ Ervand Abrahamian, *Iran Between Two Revolutions*, Princeton: Princeton University Press, 1982, pp 238–9, 244–5.

Moreover, Iranian society already possessed the nucleus of an indigenous, traditional corporatism in the informal but extensive organisational networks of the bazaar and the *ulama*. The Shah reasonably might have concluded that there was no need for the state to create modern corporatist structures when fortune already had provided such enduring and potentially useful institutions to the very segments of the traditional middle class whose political support he viewed as indispensable. Thus one of the Shah's most important associational policies was his decision to tolerate the unique autonomy and power of these two corporatist groups even while gradually trimming their spheres of activity with other policies of industrialisation and secularisation.

But in 1975 the Shah abruptly reversed this policy by trying to build a one-party state around the new Resurgence Party (Hizb-i Rastakhiz) and its collection of government-controlled occupational branches.¹² With the aid of SAVAK the party took control of the major economic ministries and launched a direct assault on the half-million craftsmen and merchants in bazaars throughout the country. Claiming that the cause of rapid inflation was *bazaari* 'profiteering' rather than government mismanagement of the oil boom, the party enforced a series of measures during 1975 and 1976 that sought to wrest control of the economy from the bazaars and place it firmly in the hands of the state.

The party organisation opened new branches in the bazaars and began to extort 'donations' from businessmen. It also recruited thousands of people into vigilante 'inspectorate teams' with summary powers to fine hoarders and profiteers. Government ministries carried out a partial nationalisation of foreign trade by setting up state corporations to import and distribute foodstuffs. Labour and welfare agencies began harassing small workshops with new regulations for minimum wages, social security, medical insurance, and registration of temporary employees.¹³

Municipal authorities imposed higher sales taxes and prohibited construction or repairs in existing marketplaces. In Tehran the city government even threatened to route a planned super-highway through the centre of the main bazaar. Finally, the government abolished the traditional guild system and replaced it with new Chambers of Guilds

¹² *ibid.*, p 442.

¹³ Amir Taheri, 'The bazaar', *Kayhan International*, 2 October 1978, pp 98-101; Sapehr Zabih, *Iran's Revolutionary Upheaval*, San Francisco: Alchemy Books, 1979, pp 27-32.

controlled in the provinces by local governors and in Tehran by government functionaries and non-bazaar entrepreneurs from the 'oil bourgeoisie'. These structures were responsible primarily for imposing price controls and referring offenders to special Guild Courts where in less than one year over a quarter of a million shopkeepers were fined or closed down and another 30,000 were deported or imprisoned.¹⁴

These measures quickly radicalised the bazaar, drove it into alliance with the more militant leaders of the *ulama*, and provided Ayatullah Khomeini with his key base of support in what eventually became the Islamic Revolution. In the ensuing confrontation with the government, the traditional corporatist organisations of the *bazaaris* proved to be far superior to the Shah's hastily constructed version of state corporatism. The bazaar was particularly well suited to become the focal point of the revolution because of its strong ties with the provinces, with urban migrants, and with the *ulama*.

Leading *bazaari* families for generations tended to inter-marry not only with other merchant families, but also with families having the same provincial origins. This, together with constant commercial interchange, provided a nationwide chain of communication connecting Iran's historically isolated provincial capitals and towns.

Links with urban migrants were based not only on creditor and patronage relations, but also on the bazaar's finance and leadership of a wide assortment of popular religious groups that regularly organised neighbourhood worship outside the mosque. *Bazaaris* were the major sponsors of the *Shi'i* passion plays (*taziyas*) and religious festivals during the holy months of Ramadan and Muharram. In Tehran alone they were able to mobilise 5,000 procession leaders in the southern and eastern districts. The bazaar organised religious 'missions' (*heyats*) some of which administered hundreds of meeting places for mourning, religious instruction, and *Quran* recital. These missions also provided thousands of pilgrimage leaders who guided groups to the holy places in Iraq and Saudi Arabia.¹⁵

Finally, the bazaar was closely tied to the *ulama* by both family and financial relations. Many of the leading *ulama* originated from or married into *bazaari* families. Merchants financed the religious schools, seminaries, and charities run by the *ulama* and were reported to have contributed as much as 80 per cent of all private religious donations and

¹⁴ Taheri, *op. cit.*, p. 99; and Robert Graham, *Iran The Illusion of Power*, London: Croom Helm, 1978.

¹⁵ Taheri, *op. cit.*, p. 98; Zabih, *op. cit.*, p. 28.

taxes (*zakat* and *khums*). Although the Shah had been trying since the early 1960s to cut back the authority and resources of the religious institution, the prosperity and generosity of the bazaar allowed the *ulama* to expand their activities so that by the mid-1970s they had penetrated the urban shantytowns and for the first time many of the remote areas of the countryside.

In alliance the bazaar and the *ulama* comprised a political force far greater than the sum of its parts. Together they mobilised a mass opposition that was much more powerful than anything each could have accomplished separately. The *Shi'i ulama* of Iran retained a political prominence that was unparalleled anywhere in the Muslim world.¹⁶ Compared to their Sunni counterparts in other countries they enjoyed greater doctrinal authority and unity, more cohesive and hierarchical organisation, a much stronger tradition of independence from the state, and greater ability to act as an effective pressure group in influencing public policy. They were, in other words, the closest thing in Islam to a 'clergy' or, more accurately, the most corporatised and self-sufficient group of spiritual leaders in a religious tradition that for centuries has been characterised by pluralist factionalism and recurrent appeals for state assistance in eliminating rivals.

Nevertheless, by themselves the *ulama* could have mounted no more than a rearguard action against the Shah's growing determination to subordinate their informal and unique institutions to his more 'rationalised' and comprehensive version of authoritarian corporatism. It was the simultaneous assault upon both *bazaari* and religious organisations that antagonised the traditional middle class in general and destroyed the few remaining bridges connecting the regime to Iranian society. By endorsing the reckless campaigns of the Resurgence Party the Shah was not laying the foundation of a more modern authoritarianism, but alienating and radicalising traditional supports he had never before dared to abandon.

Of course, the Iranian Revolution was not simply the product of a 'corporatist coalition' of traditional middle-class groups led by the *ulama* and supported by the bazaar. Nor is it likely that such groups alone could have mobilised a following of revolutionary proportions.

¹⁶ Leonard Binder, 'The proofs of Islam', in George Makdisi (ed), *Arabic and Islamic Studies in Honour of Hamilton A R Gibb*, Leiden: E J Brill, 1965, pp 118-40; Hamid Algar, 'The oppositional role of the ulama in twentieth-century Iran', in Nikki R Keddi (ed), *Scholars, Saints, and Sufis*, Berkeley: University of California Press, 1972, pp 231-56; and Shahrough Akhavi, *Religion and Politics in Contemporary Iran*, Albany: SUNY Press, 1980.

But during 1977 the Shah sought to check this growing opposition by introducing yet another shift in associational policy, this time in the direction of pluralism. The Shah was willing to consider a slight relaxation of police controls to allow the re-emergence of voluntary organisations under what he hoped would be more moderate and reformist secular leadership. Old groups were permitted to revive and new ones to form among several segments of the modern middle class—lawyers and judges, writers and intellectuals, university students, white-collar employees, and even guerrilla fighters.¹⁷

But after a quarter-century of repression, secular-nationalist politicians did not possess and could not construct alternative pluralist associations capable of restraining mass emotions or of supporting a liberal compromise with the monarchy. 'Liberalisation' did not calm or divide the Shah's opponents, especially as it coincided with a protracted recession brought on by tight money policies designed to 'fine tune' Iran's boom economy. In the final months of 1977 the Shah sought to end the new groups' growing street demonstrations by returning to repression, but this merely drove the burgeoning pluralist opposition of the modern middle class into stronger alliance with the more entrenched corporatist opposition of the traditional middle class.

By terminating his timid experiment with pluralism the Shah alienated the newly activated voluntary groups just as certainly as his hasty conversion to state corporatism earlier had alienated the guilds. Thus he made possible the coalescence of groups that were far more diverse in organisational structure, class composition, and ideological orientation than any movement the radical *ulama* could have hoped to mobilise unilaterally.

Early in 1978 Khomeini and the leaders of the National Front issued their first joint call for a general strike in the Tehran bazaar, initiating the series of massive and remarkably non-violent demonstrations that drove the Shah from his throne within a year.¹⁸ Khomeini skilfully nurtured the formation of this coalition with assurances of his democratic intentions, his commitment to social justice, and his friendliness to the followers of Ali Shariati. Yet the 'Imam' had no more valuable assistance than the erratic and seemingly self-destructive associational policies of the Shah himself.

¹⁷ Abrahamian, *op. cit.*, pp 501–5.

¹⁸ Jerrold D Green, *Revolution in Iran*, New York: Praeger, 1982, p 154.

South Korea: corporatism as the midwife of radical unionism

The construction of a corporatist system of labour control was essential to South Korea's spectacular industrial advance under the regime of Park Chung Hee during the 1960s and 1970s. The gradual dissolution of that corporatist system was equally central to the political crisis that led to Park's assassination in 1979. Ironically, it was the Korean Central Intelligence Agency that was most directly responsible for both creating and operating the corporatist unions and, then, for murdering the president when he insisted on preserving them despite their destabilising impact on the authoritarian order.

Park's ambitious strategy of export-oriented industrialisation was predicated upon mobilising a new generation of manufacturing workers to supply cheap, docile, and high-performance labour.¹⁹ Korean planners viewed the potential of this workforce, not the domestic market or natural resources, as the major source of the country's comparative advantage and as the most attractive lure for foreign investment. Accordingly, agricultural policy was geared not to raising local production, but to creating a huge surplus of low-wage labour. By holding down farm investment and relying on imported foodstuffs, the government encouraged a massive depopulation of the countryside and swelled the urban labour market. During the eighteen years of Park's rule over seven million peasants—about one-fifth of the total population—migrated to the cities and the number of manufacturing workers swelled from 600,000 to three million. The organisation, control, and motivation of this new industrial workforce was one of the greatest challenges facing the authoritarian regime. Thus from its inception Park's combination of mercantilism and militarism—his quest to revive in Korea the Meiji formula of 'rich nation, strong army'—entailed an important corporatist dimension as well, particularly toward workers in the key exporting industries.

Shortly after its creation by the new junta in 1961 one of the first assignments of the KCIA was to carry out a purge and thorough reorganisation of the labour movement.²⁰ Older union leaders were removed, ending the long dominance of the party bosses tied to

¹⁹ South Korea's industrialisation policies are examined in two recent dissertations: Dal Joong Chang, 'Japanese corporations and the political economy of South Korean-Japanese relations, 1965-1979', PhD dissertation, University of California, Berkeley, 1982 and Hyun-Chin Lim, 'Dependent development in the world system: the case of South Korea, 1963-1979', PhD dissertation, Harvard, 1982.

²⁰ Jang Jip Choi, 'Interest conflict and political control in South Korea: a study of the labor unions in manufacturing industries, 1961-1980', PhD dissertation, University of Chicago, 1983.

Syngman Rhee and cutting off the brief re-emergence of leftist unionism that followed the 1960 student revolts. These leaders were replaced by a younger cadre of thirty unionists who were hand-picked and trained by the KCIA. Using this group as a nucleus, the KCIA quickly transformed the union movement from a multitude of small, enterprise organisations grouped in rival confederations into about a dozen large industrial federations tied to a single peak association, the Federation of Korean Trade Unions. When militant unionists attempted to establish a rival confederation, a new labour code was enacted in 1963 to formalise the transition from pluralism to corporatism.

Henceforth, changes in labour and union policy were connected closely with, and occasionally anticipated, steady increases in the level of repression in the political system as a whole. In 1969 a special system of compulsory arbitration was created for the new free exporting zones that were established to attract foreign direct investment, especially from Japanese multinational corporations.²¹ In 1971 compulsory arbitration was extended to all firms and a state of emergency was imposed primarily to quash new signs of independence and protest from the first generation of industrial workers. Having subdued the labour movement, Park launched the second and more coercive phase of authoritarianism, the Yushin (Revitalising) System, designed to tighten and perpetuate his personal rule. Then, in 1973 and 1974 when ambitious plans to shift investment from light to heavy industry were jeopardised by the oil crisis, new labour laws removed collective bargaining from the industrial union federations and placed it in the hands of government-sponsored labour-management councils in individual enterprises.

Although corporatist unionism provided Korea's authoritarian modernisers with nearly a decade of relative industrial peace, the system rapidly broke apart with the massive entry of new workers during the 1970s. Many young Korean workers developed a militant union consciousness in an amazingly short time—in some cases as rapidly as they learned the routine of factory work itself.²² Naturally, this was promoted by exploitative characteristics of employment that are common in many industrialising countries. However, radicalisation was encouraged more directly by three other factors which sharply

²¹ Chang, *op. cit.*, ch 3.

²² Choi, *op. cit.*, ch 8.

distinguished the experiences of Korean workers—their unusually high rate of literacy, their receptivity to female leadership, and their broad exposure to Liberation Theology through the Christian missions.

The nearly universal literacy of new workers was a mixed blessing for their employers. It speeded adaptation to modern industry and allowed Korea to enhance the reputation for diligent, high-quality labour that was so critical to its international competitiveness. Yet it also hastened workers' realisation that they possessed legal rights that generally were violated in practice and that could be redeemed only through energetic collective action. Korean workers became quite adept at devising legal means of pressure and protest that dramatised daily injustices in the work-site and highlighted their connections with the larger context of exploitation and repression.

The high concentration of young women workers in exporting manufacturing industries was a similarly double-edged phenomenon. Unmarried females often were preferred and indeed actively recruited through personal networks in the countryside on the assumption that they would be low-cost temporary employees and, above all, with the expectation that they would be timid and tractable *vis-à-vis* male supervisors and union officials. Yet, in numerous firms in the important textiles and electronics sectors, new majorities of female workers threw out company-sponsored male unionists, spontaneously organised the first independent locals, and provided the cutting edge of new labour militancy. Indeed, it has been argued that in Korea young women were the most committed and altruistic union leaders, that their defiance of male intimidation earned broad public admiration, and that their organisations were considerably more outspoken critics of the regime than opposition parties.²³

External support for radical unionism came from several student groups, labour research institutes, and, most importantly, from about twenty Protestant and Catholic church organisations, the largest of which was the Urban Industrial Mission. During the late 1960s these church groups, influenced by the example of Latin America's liberal bishops, began to focus their campaigns for human rights on the struggling union movement. At first they supported the official labour confederation, thinking that unionisation could be promoted most effectively by working downward through existing organisations. However, after the imposition of the Yushin system, the corporatist

²³ *ibid.*, ch 3.

confederation became increasingly integrated into the authoritarian order and the UIM shifted its efforts to the new generation of independent unionists emerging at the plant level. The success of the industrial missions was by no means an isolated phenomenon. Rather it was part of an explosive growth of Christianity—from about four and one-half million to over ten million in less than ten years—that coincided with the gradual loss of political freedom and economic security during the second decade of Park's rule.²⁴

By the mid-1970s the Korean labour movement had divided into two bitterly opposed segments—the corporatist apex with its network of yellow (*yeoyong*) unionists supported by employers and the KCIA versus a growing pluralist base of militant locals aided by internationally funded church groups and aligned with the political opposition. The radical groups included about one-fourth of all manufacturing unions and as much as one-fifth of the industrial workers in large plants dependent on foreign investment and export markets.²⁵

Faced with mounting pressures from below, corporatist union leaders tried to place a higher price on their cooperation with business and government. They urged the government to grant them wider powers to suppress rank-and-file dissent and argued that their loyalty had earned them a more prominent role in economic policy making. Through most of the 1970s Park rejected official unionists' efforts to negotiate this sort of *quid pro quo* and preferred to rely on an assortment of newer techniques of labour control. At first, he collaborated with employers in promoting new groups to rival and weaken unions at the enterprise level. Then, after he realised that such measures often stimulated further radicalisation, Park belatedly and half-heartedly permitted tentative efforts to create a Korean variety of tripartism.

Labour-management councils originally were welcomed by union leaders who thought they might evolve into something like the Japanese 'quality circles' or even a rudimentary form of co-determination. Instead they gradually became clear competitors to the unions, taking over the discussion of grievances in a 'family-like' manner and enforcing new 'ethical codes' for workers. In expanding the authority of these councils at the expense of the official unions, the government appeared to recognise that conventional corporatist techniques could no longer preserve the motivation and commitment required for a high-performance workforce. Corporatism, it was believed, had to be

²⁴ *ibid.*

²⁵ *ibid.*

supplemented with more emphasis on normative and ideological controls.

The clearest expression of this shift in strategy was Park's enthusiastic campaign on behalf of the Factory Samaul (New Community) Movement. Samaul groups had originated in the agricultural sector where they attempted to reverse the steady decline in rural income by encouraging cooperatives and off-season employment. In extending the movement into industrial workplaces Park made the Samaul groups the centrepiece of his effort to shore up the Yushin system through popular mobilisation in the spirit of 'diligence, self-help, and cooperation'. His objective was to recover some of the support that had been lost in the countryside after long years of neglect, while applying new pressures on factory workers to make additional sacrifices so that the energy crisis would not jeopardise Korea's new phase of heavy industrialisation.

The 'Samaul spirit' promoted highly romanticised images of agrarian collectivism and family harmony and held them up as models for ordering relations in the modern factory and in the nation as a whole. This was part of a larger effort to revive aspects of traditional culture that the regime perceived as most compatible with capitalist development and authoritarian rule. A parallel campaign, the New Spirit Movement, stressed more clearly the continued importance of such Confucian values as filial piety and social hierarchy. This movement portrayed Park as the paterfamilias of Korean society and was led, appropriately enough, by the president's daughter.²⁶

The insertion of these new groups into industrial enterprises tended to sharpen tensions between the corporatist unionists at the top and their more militant rivals at the base. The official labour confederation assumed more and more responsibility for training and directing groups whose major activities were discouraging the formation of new local unions, reviving the practice of unpaid overtime, and wiping out earlier gains achieved through local union bargaining and protest. As the corporatist union structure broke apart and spawned still greater radicalism among the rank and file, Park became more willing to consider some of the proposals for interest-group consultation and concertation that he had rejected earlier.

Interest in tripartism grew out of mounting alarm among employers over the rise in industrial disputes and protective labour regulations. In 1970 the Korean Employers' Association was established by small and

²⁶ *ibid.*, ch 4.

medium-sized firms which were particularly sensitive to increasing labour costs and union activity. By 1975 their overtures for dialogue with the union confederation were translated into the Labour-Management Friendly Meeting which convened with government labour administrators for semi-monthly talks. In 1978 it was the labour confederation that took the initiative in organising a second tripartite forum, the Workers' Welfare Policy Deliberation Committee. The following year, government technocrats advanced their own proposal for yet another, more comprehensive body, a Social and Economic Council, which they claimed was inspired by West German and Dutch practices.²⁷

In fact, none of these multiple commissions ever amounted to much. While the employers pursued the unionists to negotiate a 'social contract', the unionists were pursuing the government to grant them, at last, the powers and material concessions they would need to enforce such an agreement in the face of nearly certain revolt from below. Many of Park's advisers seemed to support this course, realising that existing corporatist arrangements needed much more than a gloss of neo-Confucianism in order to restore industrial peace. Korea's corporatist unions simply were too weak to control and too contrived to represent. They had become at the same time the agent and the target of an alternative union movement that continued to gain force in spite of an endless series of counter-measures from the government. Nevertheless, Park rejected any substantial change, allowing each group to advance its favoured project for a new, more consensual variety of corporatism and lending his support to none.

When Park decided that the surest remedy for labour unrest was greater coercion he touched off a nation-wide political crisis that rapidly split his regime and ultimately ended his life.²⁸ The catalyst for the crisis was a long and bitter protest of female textile workers who were demanding that the state salvage their jobs in one of the many private firms that had gone bankrupt during the 1978-9 recession. Evicted from their dormitories, the women occupied the headquarters of the opposition New Democratic Party, thereby encouraging the rise of new militant leaders who were critical of their party's long indifference to labour issues. After riot police attacked the demonstrators causing many casualties the disturbances quickly spread to the universities.

²⁷ *ibid.*, ch 6.

²⁸ Chong-Sik Lee, 'South Korea 1979: confrontation, assassination, and transition', *Asian Survey* 20(1), January 1980, pp 63-76.

What began as an isolated industrial dispute soon developed into a broad protest movement encompassing the church groups, the radical unions, the newly emboldened opposition party and the students.

The breakdown of Park's regime was a direct result of divisions among his top aides over how to confront this sudden and vigorous upsurge of pluralism. The president himself ordered an attack on the Urban Industrial Mission, a reinforcement of the Factory Samaul groups, and a firm show of force through the KCIA. However, both current and retired directors of the KCIA—those most responsible for the creation and supervision of the union organisation—urged the president to make concessions to worker and student demands. They argued that some sort of political accommodation was unavoidable in view of the deteriorating economic situation and American objections to the repression of human rights. When Park criticised the KCIA's tentativeness in putting down the demonstrations and his security chief prepared paratroopers for the approaching confrontation in the capital, both men were assassinated by the head of the KCIA.²⁹

During the temporary paralysis of the security apparatus that followed, Korea experienced an unbridled wave of wildcat strikes that startled the state, the employers, and the official union leadership. After several months a new junta of younger officers consolidated power, but they substantially raised the level of repression against workers and imposed new union legislation that was far more restrictive than any of the Yushin measures. Corporatism had been one of the keys to creating South Korea's principal advantage in the international market-place—a high-performance workforce that remained compliant despite low rewards. But in post-Yushin Korea the authoritarian elite and their industrialist allies have been forced to accept a serious erosion of that advantage which is unlikely to be reversed unless they are willing to accommodate the growing pluralist tendencies in the union movement and in the nation as a whole.

India: corporatism as the captive of uneven pluralism

India is widely acknowledged as one of the oldest and most vigorous pluralist systems in the Third World. That reputation was enhanced considerably by the stunning and decisive electoral rejection of Indira Gandhi's effort to extend her 'emergency government' of 1975–7 into a more lasting experiment with state corporatism. Yet it is clear that Mrs

²⁹ *ibid.*, pp 63–4, 69–70.

Gandhi's corporatist policies were largely an attempt to build upon and to consolidate a pre-existing base of corporatism that had developed within the fabric of India's more dominant pluralist traditions, especially since her assumption of the prime ministership in 1966. Moreover, Mrs Gandhi ultimately was deterred from her authoritarian enterprise not so much by the strength of popular commitment to democracy as by her own sober assessment of the endless and insurmountable problems of penetrating and restructuring India's vast, multi-layered associational universe and of bending it to her own purposes.³⁰

Mrs Gandhi soon discovered that corporatising initiatives were most successful where modern pluralist structures were most developed and that corporatisation was particularly futile where associational life remained elusive and mercurial because of its persistently amorphous, personalistic, transient, and informal character.³¹ In this sense, the very weakness and unevenness of Indian pluralism proved to be its best defence against the corporatist strategy of a determined but over-ambitious centraliser. Similarly, by accentuating and making more manifest the corporatist features of the Indian polity, Mrs Gandhi indirectly contributed to the invigoration and greater consolidation of some of the country's most fragmented and impotent pluralist associations—the national union confederations.

The emergency regime culminated nearly a full decade of steady erosion in India's democratic institutions that accompanied Mrs Gandhi's centralisation and personalisation of power and the growing bitterness of her attacks on the 'selfish, divisive, and undisciplined' nature of pluralism. By the time the Allahabad court tried to ban her from political activity she had weakened virtually all of the formal, institutional checks on her authority including the cabinet, the traditional leadership of the Congress Party, the federal system, and of course the very judiciary that vainly sought to terminate her rule. Mrs Gandhi's decision to confront and subdue her remaining opponents undoubtedly was facilitated by public despair over the lingering effects of a costly war, the oil crisis, and poor harvests as well as by her evident appeal to anti-democratic quarters that were otherwise antagonistic to

³⁰ Lloyd I Rudolph and Susanne Hoeber Rudolph, 'To the brink and back: representation and the state in India', *Asian Survey* 18(4), April 1978, pp 379–400 and W H Morris-Jones, 'Creeping but uneasy authoritarianism: India, 1975–1976', *Government and Opposition*, Winter 1977, pp 20–41.

³¹ Rudolph and Rudolph, *op. cit.*, p 382

one another, such as Hindu nationalists and revolutionary socialists.³²

However, the deeper basis of her assault on pluralism lay in her expectation (or, more accurately, her gamble) that the combined organisational resources of the state and the ruling party had reached at last a level that would permit effective control over economic and associational life.³³ Such an objective may not have appeared at all beyond reach given the extensive network of corporatist arrangements that already had been fashioned with many organised interests by a nation-wide party apparatus enjoying nearly three decades of uninterrupted incumbency and by a central government apparatus that had become the principal planner, investor and employer in the modern sector of the economy. In many cases it must have seemed that a transition to state corporatism would require not the demolition and thorough recasting of existing representative structures, but merely their appropriation, unification and subordination.

In fact, the impact of the emergency measures on Indian society was highly differentiated and uneven. To a surprising extent the contours of the new corporatism formed a mirror image of the old pluralism—most solid among the urban middle class of civil servants, professionals and businessmen; substantially less coherent and effective in the labour movement; hopelessly decentralised and uncontrollable in the agricultural sector; and nearly incapable of reaching the poor and unemployed for whose benefit the experiment supposedly was intended in the first place.

The greatest conversion of multiple voluntary associations into a party-guild complex of nominated bodies and 'national forums' occurred among the modern professions, especially those that had come to depend heavily on government employment and regulation. Journalism was particularly affected as competing news agencies were merged into a single state-run organisation supervising a new system of collective self-censorship. Universities were forced to adopt new 'codes of conduct' that restricted publication and travel. Even the free professions which still retained large portions of their memberships in the private sector were highly susceptible to the Congress Party's herding strategy and the state's drive for tighter regulation.³⁴

Equally strong, though far more reciprocal, ties were formed quickly

³² Morris-Jones, *op. cit.*, p. 30.

³³ Jyotindra Das Gupta, 'A season of Caesars: emergency regimes and developmental politics in Asia', *Asian Survey* 28(4), April 1978, pp. 315-49.

³⁴ Morris-Jones, *op. cit.*, pp. 31-3.

with businessmen's associations. Although merchants commonly complained about new price controls, private industrialists were delighted by freer credit and licensing, lower taxes and government intervention in labour relations. Mrs Gandhi's promotion of joint enterprises between state and private investors consolidated ties between the dominant actors in India's mixed economy and put important new public resources at the disposal of private capitalists.³⁵ Indeed the new system of corporatist representation involved a growing intimacy with and generosity toward big business that clearly belied the redistributive rhetoric which the prime minister so consistently invoked to justify her declaration of an emergency regime. This swing to the right was eloquent testimony to Mrs Gandhi's rapid adaptation to the limitations inherent in any effort to transform the highly skewed distribution of associational resources that had been inherited from the preceding pluralist era.

The obstacles to corporatisation were most formidable in the countryside where associability continued to be structured primarily in traditional forms or where it lacked permanent and formal organisation altogether. Local landholders tolerated Congress Party 'observers' from Delhi who took over the official bodies of local government to establish new groups and programmes with mild redistributive overtones. But when the central government attempted to remove control of farm policy from the states as it had done in other fields such as education, the proposal was easily defeated by agricultural interests fearing new tax increases. The personal and clientelistic hierarchies of landed notables were not challenged by new externally sponsored groups. Yet by retaining a powerful presence in elected assemblies and party organisations at both state and national levels, the larger landholders could challenge any initiative threatening the agricultural sector or their privileged position within it.³⁶

Among the rural poor a great deal of associational activity was channelled through informal, ephemeral or illegal groups such as caste associations, language communities, land grab movements, and moral revivals. These kinds of amorphous structures were undoubtedly well-suited to protest and agitation, but they did not possess the sort of organisation that could be annexed and manipulated (or in many cases even identified) by the state.³⁷ In view of Mrs Gandhi's reluctance to

³⁵ Rudolph and Rudolph, *op. cit.*, 387-8 and Stanley A Kochanek, *Business and Politics in India*, Berkeley: University of California Press, 1974, chs 7 and 8.

³⁶ Rudolph and Rudolph, *op. cit.*, pp 382, 389.

³⁷ *ibid.*, pp 389-90.

provide the poor with any new associational alternatives and her increasing tendency to seek accommodation with already entrenched interests, it is hardly surprising that rural voters overwhelmingly supported terminating the emergency regime and restoring pluralist autonomy.

In the case of the labour movement the impact of corporatism was more interesting. Although it was not as successful here as with middle class and business groups, neither was it as irrelevant as with rural and agrarian groups. The government established bipartite councils in large industrial firms supposedly to encourage worker participation in management, but more immediately to help implement longer work-weeks, lay-offs, and wage freezes. These councils then were organised in National Apex Bodies where employers met for industry-wide talks with representatives of the competing union confederations.³⁸ Even though these rudimentary efforts at economic summitry occurred within a larger context of union repression they provided a rare opportunity and incentive for labour leaders to collaborate with one another and to lessen their traditional dependence on brokers and intermediaries in rival political parties.

For decades Congress Party politicians had pursued a fragmenting and disorganising strategy toward the labour movement designed to weaken an important sector in which their opponents' strength consistently equalled or surpassed their own.³⁹ Before independence Congress had been unable to displace the communist leadership of the All-India Trades Union Congress and so in 1947 it created a competing organisation that gradually acquired privileged and at times semi-official status. Soon another major confederation arose under socialist leadership. Then, in 1970, after Mrs Gandhi split the Congress Party and allied with the communists, a fourth union group was formed by left-wing communists who rejected the coalition. Intense rivalry between these and several smaller groups was fostered by labour legislation that preserved multiple union representation in individual enterprises while discouraging collective bargaining in broader sectoral or regional units. This resulted in a persistent inability of unions to defend workers' interests and a long-term stagnation of real wages that, of course, were perfectly compatible with the dominant forces in the Congress Party's regional organisations.

³⁸ *ibid.*, p 388.

³⁹ Rakaharai Chattopadhyay, 'The political role of labor unions in India: an interstate study of labor unions in West Bengal, Karnataka, and Rajasthan', PhD dissertation, University of Chicago, 1975, ch 1.

Given this long history of debilitating pluralism the temporary introduction of corporatist measures was not at all inconsistent with labour leaders' efforts to shape a more cohesive union movement with a greater voice in economic policy-making. After Mrs Gandhi's solid electoral defeat in 1977 her successors retained the National Apex Bodies even while reviving earlier tripartite commissions that had fallen into disuse.⁴⁰ Thus the labour movement can be seen as a specific instance of the broader national pattern in which Mrs Gandhi's experiments with state corporatism, limited and frustrated by the incoherence of Indian pluralism, also contributed to pluralism's consolidation and revitalisation.

Conclusions and speculations

In conclusion we can try to identify some common themes concerning the most likely motivations and consequences of these ill-fated experiments with 'unruly corporatism'. Regarding the question of causation, certain 'Latin American' paradigms are relevant, especially those connecting state corporatism with crises arising at various stages in dependent capitalist development and during major attempts either to co-opt or to smash organisations of the working class. There is an undeniable resonance throughout the Middle East and Asia of such common 'semi-peripheral' themes as strengthening the state, suppressing conflicts of interest between organised socio-economic groups, fashioning new alliances with foreign sources of capital and technology, and making the big push toward economic growth the primary goal if not the exclusive definition of modernisation. Nevertheless, while these 'world system' and political economy factors must form a part of any explanation, they are only a part and by no means a determinative one.

Outside Latin America it is difficult to point to incidents of state corporatism as authoritarian responses to the threat of a powerful and radicalised 'popular sector', or to the irresistible demands of a hegemonic national bourgeoisie, or to the extreme polarisation and imminent collision of the two. Apart from Turkey and the Philippines there are very few prospective Argentinas or Chiles in the Middle East and Asia. In most other Third World countries industrialisation is less advanced and privately controlled, modern class structures are less

⁴⁰ Rudolph and Rudolph, *op. cit.*, pp 390-1.

crystallised and rigidified, and foreign economic commitments are less massive and irreversible. Accordingly, state corporatism appears to be more a choice and initiative of fairly autonomous elites than a necessary or reluctant response to forces beyond their control.

Indeed, it may be the notion of the 'autonomy of the state'—so celebrated in both the neo-Marxist and neo-conservative writings that currently dominate the field of political development and so trivialised in earlier liberal writings—that is at the heart of the matter. Why are so many authoritarian modernisers willing to exchange previously acceptable and often quite effective forms of political domination for riskier and unreliable alternatives when they are under no clear compulsion to do so? More specifically, why are they so eager to abandon the hegemony afforded by flexible heterogeneous associational systems which tolerate a certain manoeuvrability for weak opponents and to pursue instead the phantom of modernised despotism by investing scarce resources in the repressive construction of more comprehensive and coherent state corporatist systems?

The cases examined here suggest three interrelated factors each of which has promoted exaggerated (one is tempted to say obsessive) efforts to enhance the autonomy of the state *vis-à-vis* civil society: 1) unbounded personal ambition; 2) infatuation with new foreign models in which corporatism is seen as part of an instant recipe combining 'economic miracles' with 'social peace'; and, 3) the misfortune of relying on the unwise counsel of many in the discipline of political science where corporatism has been vastly oversold whether as an analytical concept or as an associational policy.

The four heads of government considered here were particularly vivid examples of political autonomy feeding upon itself. All were animated by an inexplicable certainty and fatal conviction that they could bend society to their own wills. All were prone to enterprises of such extravagance and misjudgments of such magnitude that it was their intimates more often than their distant enemies who pointed to signs of mental imbalance.

None of these regimes was much inspired in recent years by the 'classical' models of capitalist or socialist development. No matter how much the United States and the Soviet Union have succeeded in reviving and universalising the Cold War, they have not been able to re-establish credible images of themselves as products of alternative historical processes that are relevant and accessible to modernising elites today. The most attractive and seriously regarded models of

development in the Third World now are not the nations at the top of the heap, but those *near* the top, especially if they achieved that position despite considerable resistance and hostility from their more powerful forerunners.

Japan and Brazil, West Germany and Italy, OPEC and the 'gang of four' are much more likely to be cited as achievable precedents in the economic plans and patriotic rhetoric of the Middle East and Asia. As elites in these countries have looked more to the 'late developers' of Europe and Latin America and, naturally, to one another, they have been more likely to (mis)perceive the modernisation of authoritarianism as the key to modernisation in general. This has paved the way for a proliferation of state corporatist experiments as authoritarians in more and more countries 'rediscover' or simply invent political beliefs and institutions they regard as instrumental in replicating earlier success stories.

Highly ambitious and often unattainable projects to reshape associational life from above also have been encouraged by the more frequent reading and misreading in the Third World of the burgeoning social science literature on corporatism. In Egypt, for example, a spirited debate over the reform of representative institutions tends to crystallise around competing pluralist versus corporatist positions each of which seeks to justify itself not only by appealing to particular native traditions and social constituencies, but also by invoking foreign scholarly opinion. Bemused television audiences were treated to more than one seminar in which President Sadat himself explained to the People's Assembly that modern political science had established beyond doubt the need for strict limitations on the number of parties and interest groups if developing democracies were to become 'institutionalised'. Similarly, in Iran the role of this sort of diffusion in promoting an attempted overhaul of the authoritarian regime is well known. Was the Shah so wrong when, observing Nasser, he instinctively equated corporatism with political upheaval? Was he better guided by the expert opinion of his American-trained advisers who, newly returned with their doctorates in political science, inspired the escapades of the Resurgence Party?

Finally, regarding the consequences of these unsuccessful state corporatist experiments, two recurrent outcomes are particularly noticeable: 1) an initial rise in political opposition causing greater instability and 2) a gradual strengthening of pluralist forms of representation. Instability appears to be considerably more severe and

protracted where associational life historically was repressed and retarded as in South Korea and especially Iran. Alternatively, the prospects for a more vigorous pluralism are most evident where the art of association was widely cultivated in previous historical periods, regardless of whether this occurred through primarily pluralist means as in India or through primarily corporatist means as in Egypt.

This suggests that if we want some idea of what to expect after an unruly corporatist system has been deeply shaken or overturned, we need to look carefully at what happened before it was created. In Egypt and India, where associability was stronger historically, elites responded to crises of unruly corporatism by fashioning more flexible and heterogeneous systems that combined both corporatist and pluralist elements. Mubarak preserved corporatist authoritarianism, but developed a new tolerance (indeed, some say weakness) for interest-group bargaining and partisan competition. The Janata government restored pluralist democracy, but retained some of Mrs Gandhi's innovations to reduce fragmentation in the labour movement and to strengthen the state's ties with big business. Contrastingly, in South Korea and Iran, where associability in general had far weaker roots, crises of unruly corporatism were followed by even more intense elite hostility toward opposition groups whatever their organisational form.

Namibia: the relevance of international law

International lawyers often wonder whether international law really is law. That is, whether, considering the anarchic features of the international system, legal regulation can effectively control the behaviour of states. There are certainly many examples in the contemporary world which illustrate the shortcomings of international law, but unfortunately none is better than that of Namibia. For Namibia, one of the first colonies to become a matter of international concern more than sixty years ago, is today still under the yoke of colonialism even though the inalienable right of its people to form an independent state is today universally recognised. Moreover, since 1966 South Africa has been occupying Namibia in contravention of innumerable resolutions by the Security Council and the General Assembly which were declared to be binding by the International Court of Justice in its 1971 Advisory Opinion.¹ South Africa's defiance of international law and of the authority of the UN is all the more shocking because the acts it is perpetrating against Namibia include three of the most serious international crimes, characterised as such by the International Law Commission:² aggression against a country's territorial integrity; suppression of a people's right of self-determination; and imposition of the infamous policy of apartheid. Yet, despite the seriousness of these offences, the UN has not yet taken effective measures against South Africa, thus prolonging a situation which, apart from constituting a major breach of international peace and security, greatly undermines the authority of international law throughout the world.

This article—though not attempting to answer the broader question concerning the role of international law in the contemporary world—argues that the political and military struggles for Namibia's independence have a legal dimension which is important and should not be ignored. One should not be deluded into believing that international

¹ *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South West Africa) notwithstanding Security Council Resolution 276 (1970)*, Advisory Opinion, ICJ Reports 1971, p. 16.

² International Law Commission, 'Draft articles on state responsibility', *International Legal Materials* (18) 1979, pp. 1568–77.

law alone can secure the decolonisation of Namibia. Yet, it would be a mistake to regard it as mere rhetoric designed solely to justify and conceal political and economic interests. In this article I show how during the long period that Namibia has been on the agenda of the international community, there developed a legal consensus which is unequivocally on the side of Namibia's independence. I then explain the contemporary relevance of this consensus and the importance it will have in the future when the government of an independent Namibia seeks compensation for the international delicts and crimes committed against its people and territory. Finally, after outlining the UN's Plan for Namibia's independence, I show how South Africa and its allies have tried—so far unsuccessfully—to undermine this legal consensus in the current negotiations.

Namibia within the UN—an overview

Namibia, a German colony since 1884, acquired international status in 1919 when Germany renounced at Versailles all its rights over the Territory.³ The following year it became a territory under Mandate and its administration was entrusted to South Africa under the supervision of the Council of the League of Nations. The Mandate system was based on the principle that the administering state did not acquire sovereign rights over the territory (principle of non-annexation) and that the administration of the territory had to be conducted in accordance with internationally controlled standards so as to promote the well-being of the inhabitants of the territory (principle of the sacred trust of civilisation).

The demise of the League of Nations did not affect Namibia's status as an international territory. In 1950, the International Court of Justice determined that South Africa continued to have obligations under the Mandate and that the supervisory functions concerning the administration of the Mandate were to be exercised by the UN General Assembly.⁴ But South Africa, taking advantage of the fact that Advisory Opinions are not binding, refused to accept the Court's interpretation, claiming that after the demise of the League of Nations, it no longer had any legal obligations under the Mandate. After the Court's Advisory Opinion the General Assembly tried by every possible

³ For some interesting materials on the Mandate see, J Dugard, *The South West Africa-Namibia Dispute*, Berkeley: University of California Press, 1973, pp 27-88.

⁴ *International Status of South West Africa, Advisory Opinion, ICJ Reports 1950*, p 128.

means to persuade South Africa either to accept supervision over the Mandate or to transform the Mandate into a trust territory in accordance with Chapters 12 and 13 of the UN Charter. But these efforts were unsuccessful. Thus, the General Assembly was not able adequately to supervise the administration of the Mandate because South Africa did not submit reports on its administration and did not allow visits to the Territory by UN bodies.

In 1955 and 1956 the International Court of Justice handed down two further Advisory Opinions which, apart from clarifying some procedural matters relating to the supervision of the Mandate, again confirmed that South Africa had a legal obligation to accept UN jurisdiction over the Mandate.⁵ These two further interventions also failed to persuade South Africa to change its policy so the Assembly had to consider other measures to ensure that South Africa fulfilled its obligations under the Mandate. Thus, the Assembly drew to the attention of its members the legal action provided for in Article 7 of the Mandate, which allowed former members of the League of Nations to institute contentious proceedings before the International Court of Justice against South Africa.⁶ Ethiopia and Liberia, pursuing this idea, instituted proceedings in November 1960 against South Africa with the objective of obtaining a binding judgment from the Court which would declare that not only had South Africa breached its obligations under the Mandate, but that it was bound to accept UN supervision over its administration. In 1962, the Court rejected several jurisdictional objections raised by South Africa, deciding that it had jurisdiction to adjudicate upon the merits of the dispute.⁷ However, in 1966, after hearing the arguments on the merits of the case, the Court unexpectedly reopened the jurisdictional question, deciding that Ethiopia and Liberia had not established any legal right or interest in the subject matter of the case.⁸ The Court's judgment, adopted by the President's casting vote—the President voting twice because the votes were equally divided—was strongly criticised in legal and political circles. However, its immediate effect was positive since it forced the General Assembly to reassess its policy on Namibia.

⁵ *Voting Procedure on Questions relating to Reports and Petitions concerning the Territory of South-West Africa*, Advisory Opinion of 7 June 1955, ICJ Reports 1955, p 66; *Admissibility of Hearings of Petitioners by the Committee on South West Africa*, Advisory Opinion of 1 June 1956 ICJ Reports 1956, p 22.

⁶ General Assembly Resolution 1142 (XII) 1957.

⁷ *South West Africa Cases, Preliminary Objections, Judgment*, ICJ Reports 1962, p 319.

⁸ *South West Africa Cases, Second Phase, Judgment of 18 July 1966*, ICJ Reports 1966, p 6.

Having considered that all efforts to persuade South Africa to fulfil its obligations under the Mandate had been exhausted, the General Assembly decided in October 1966 to terminate the Mandate, declaring that Namibia came under the direct responsibility of the UN. The following year, the Assembly created the UN Council for Namibia to administer the Territory, but the Council could not establish a presence there because South Africa refused entry.⁹ Thus, by 1967, the General Assembly had again reached a political deadlock. However, by this time conditions in Namibia had changed. SWAPO had launched the armed struggle for independence, thus giving notice to the UN that the Namibian people would continue to fight for the liberation of their territory regardless of whether the international community assisted them.¹⁰ South Africa, for its part, intensified political repression to prepare the ground for the implementation of the homelands policy, which was designed to fragment and divide the people of Namibia.¹¹ This fact prompted the intervention of the Security Council.

In 1967 South Africa applied the recently enacted Terrorism Act to the territory of Namibia. This decision brought about a hostile reaction from within the UN not only because after the termination of the Mandate South Africa had no right to legislate for the Territory, but also because the new Act was retroactive and of a particularly repressive nature. Moreover, South Africa implemented the Act in a provocative manner by staging a trial in Pretoria against thirty-seven SWAPO members. The General Assembly called for the immediate release of the Namibians concerned, and this call was reaffirmed by the Security Council in Resolution 245 adopted in January 1968. In March the Security Council demanded the immediate release of the Namibians convicted by the Court in Pretoria at the end of the trial.¹² This new Resolution also warned South Africa that in the event of non-compliance the Security Council would meet immediately to determine effective measures in accordance with the provisions of the UN Charter.

Between 1969 and 1971 the Security Council adopted several important Resolutions on Namibia.¹³ By these Resolutions the Security

⁹ General Assembly Resolution 2248 (S-V) 1967.

¹⁰ See 'Day of commemoration-SWAPO', *Namibia News* (1) 1968 in A de Braganca and I Wallerstein (eds), *The African Liberation Reader*, London: Zed Press, 1982, pp 5-6, and SWAPO Department of Information and Publicity, *To Be Born a Nation*, London: Zed Press, 1982, p 176.

¹¹ S Slonim, *South West Africa and the United Nations: An International Mandate in Dispute*, Baltimore: Johns Hopkins University Press, 1973, pp 234-5.

¹² Security Council Resolution 246 (1968).

¹³ Security Council Resolutions 264 (1969), 269 (1969), 276 (1970) and 283 (1970).

Council recognises the legitimacy of the struggle of the Namibian people against South Africa's occupation, reaffirms the legal responsibility of the UN over the Territory, declares all acts taken by South Africa on behalf of Namibia since the termination of the Mandate to be illegal and invalid, and calls upon all states to refrain from all dealings with South Africa that imply recognition of the illegal occupation. The binding nature of these Resolutions was confirmed by the International Court of Justice in its Advisory Opinion of June 1971, which determined that South Africa is under obligation to withdraw from Namibia and that all states have a duty to recognise the illegality of South Africa's presence there and to assist the UN in its policy towards Namibia.¹⁴ In October 1971 the Security Council endorsed the operative paragraphs of the Court's Advisory Opinion and clarified that all states have individual responsibilities towards the people of Namibia and that in the discharge of those responsibilities they must abstain from all relations with South Africa which may entrench the latter's authority over the Territory.¹⁵

By the end of 1971, as it became clear that the Security Council would not take effective measures against South Africa to enforce its Resolutions, the question of Namibia began to lose momentum in the UN. In 1972, to deflect the calls for mandatory sanctions made by an overwhelming majority of states in the General Assembly, the Security Council began direct negotiations with South Africa. These negotiations failed to persuade South Africa to change its position and were formally discontinued by the Security Council in December 1973.¹⁶ Meanwhile, in 1973, as South Africa began to sponsor political groups in preparation for a settlement outside the framework of the UN, the General Assembly recognised SWAPO as the authentic representative of the Namibia people.¹⁷ The following year, the General Assembly endorsed Decree No. 1 of the UN Council for Namibia, which prohibits the exploitation of Namibia's natural resources without the consent of the Council.¹⁸

In December 1974, the Security Council adopted a strongly-worded

¹⁴ *ICJ Reports 1971*, p. 58.

¹⁵ Security Council Resolution 301 (1971).

¹⁶ Security Council Resolution 342 (1973).

¹⁷ General Assembly Resolution 3111 (XXVIII) 1973. In 1976 the UN recognised SWAPO as the *sole and authentic* representative of the Namibian people and invited it to participate as an observer in General Assembly sessions. See General Assembly Resolutions 31/152 and 31/146 (1976).

¹⁸ General Assembly Resolution 3295 (XXIX) 1974.

Resolution demanding the immediate withdrawal of South Africa from Namibia, warning that, in the event of non-compliance, it would consider taking appropriate measures.¹⁹ Since South Africa refused to comply, a draft resolution calling for mandatory sanctions against South Africa was placed on the Security Council's agenda. This draft resolution won the support of the majority of the members of the Security Council, but could not be adopted since it was vetoed by the United Kingdom, France and the United States.²⁰ These vetoes gave South Africa the confidence to continue its efforts to secure a political settlement outside the framework of the UN. Thus, in September 1975 South Africa announced the opening of a Constitutional Conference to decide the future of Namibia.²¹

Responding to these developments the Security Council adopted a critical resolution, Resolution 385 of January 1976, which, apart from reiterating the demand for South Africa's withdrawal from the Territory, emphatically declared that the UN was to control and supervise elections to determine the future of Namibia. Once again, South Africa's refusal to comply was followed by draft resolutions calling for mandatory sanctions which, as before, could not be adopted because of the vetoes by the United Kingdom, France and the United States.²²

In May 1978, responding to the paralysis of the Security Council, the General Assembly adopted an important Declaration on Namibia.²³ This Declaration stated that if, as a consequence of the vetoes in the Security Council, the UN was prevented from taking effective measures against South Africa, the General Assembly would take the necessary action to end the illegal occupation. But while the General Assembly was considering a change of policy, the three permanent members of the Security Council responsible for the vetoes, together with Canada and the Federal Republic of Germany, began a process of negotiations which culminated in April 1978 with a proposal for a settlement for Namibia. After further negotiations, this proposal was accepted by SWAPO and South Africa, and in September 1978 it was formally endorsed by the Security Council in its Resolution 435.

¹⁹ Security Council Resolution 366 (1974).

²⁰ Security Council debates of 6 June 1975, UN S/PV 1829.

²¹ For an interesting discussion of political developments in Namibia during this period, see A. I. Molcah, *Namibia: The Struggle for Liberation*, Delaware: Disa Press, 1983, pp 168-90.

²² Security Council debates of 31 March 1976, UN S/PV 1906.

²³ General Assembly Resolution S-9/2 (1978), paragraph No. 28.

Security Council Resolution 435 is based upon the three main elements which today embody the legal consensus on Namibia: characterisation of South Africa's administration as illegal; recognition that the Namibian people have a right to form an independent state; and acknowledgment that the independence process must take place under the supervision and control of the UN. Resolution 435 has become a durable framework for the current negotiations on the UN Plan for the independence of Namibia.

Legal consensus—background and consequences

The preceding section may give the impression, albeit false, that the question of Namibia followed a logical and uncontroversial evolution through the organs of the United Nations. Indeed today nobody would question that South Africa's occupation is illegal, that the people of Namibia have a right to self-determination and that the UN has a direct responsibility over the Territory. However, in 1945, when the UN was established, the international legal rules applicable to Namibia were far from clear and doubts concerning whether the UN could discuss Namibia, let alone supervise the administration of the Mandate, were not without foundation.

A consensus view on Namibia did not emerge spontaneously; it was the outcome of a slow, oblique and often frustrating process. Four factors account for the eventually successful outcome of this process: determination of the Namibian people, under the leadership of SWAPO, to resist the superior military force of the occupying power; political pressure exerted by some states, mainly the front-line states within the UN; incessant efforts by some non-governmental organisations to maintain the issue of Namibia alive in public debate; and changes in general international law which have resulted in effectively outlawing colonialism as an instrument of state policy. In this section I outline the background of the consensus view on Namibia and point out some of its legal consequences.

Background

On the eve of World War II more than one-third of the people and land of the world were under colonial rule. Although the war weakened the colonial powers, the world was still largely colonial when the UN was created. This is reflected in the fact that the UN Charter did not establish a mandatory regime to supervise the administration of colonial

territories.²⁴ Instead, it created a trusteeship system which applied mainly to the colonies detached from enemy states as a result of the war and to the existing Mandates. The rest of the colonies, comprising more than 80 per cent of all colonial territories, were dealt with in a vague Declaration contained in Chapter 11 of the Charter, which, at the time, was regarded as a promise of good behaviour having no legal consequences. Although Chapter 11 was eventually important in shaping the practice of the UN, leading to the adoption of the General Assembly Declaration on Decolonisation of 1960, it actually took fifteen years for it to come out unequivocally on the side of the anti-colonial movement.

When the UN was created, Namibia stood apart from other colonies because it was a territory under Mandate. But this status, which Namibia could have benefited from, became a liability. In its 1950 Advisory Opinion the International Court of Justice determined that the UN had the right to supervise the administration of the Mandate, but unfortunately it also concluded that South Africa did not have a duty to place the territory of Namibia under the trusteeship system. In practical terms this meant that, since South Africa refused to accept the trusteeship system, the UN had to set up a special machinery, similar to that used by the defunct League of Nations, to supervise the administration of the Mandate. This interpretation opened up an interminable debate in which South Africa and its allies raised innumerable legalistic objections to every effort by the General Assembly to discharge its responsibilities towards Namibia, thus indirectly justifying South Africa's non-compliance.²⁵

Towards the end of the 1950s, the legal issues surrounding the Mandate had become so complex that it seemed as if Namibia's liberation from colonialism depended upon the solving of obscure and largely irrelevant points of law. The Mandate had in fact become Namibia's straitjacket. But this was to end when in 1960, after adopting the Declaration on Decolonisation, the General Assembly placed the question of Namibia firmly on the agenda of decolonisation, thus restoring a proper perspective to United Nations debates on Namibia.²⁶

The Declaration on Decolonisation, approved by the General Assembly in December 1960, was a turning point in the history of the

²⁴ See generally C E Toussaint, *The Trusteeship System of the United Nations*, London: Stevens and Sons, 1965.

²⁵ On this point see Slonim, *op. cit.*, pp 125-66.

²⁶ General Assembly Resolution 1514 (XV) 1960.

UN. The Declaration proclaimed the right of self-determination of all dependent peoples, called for a speedy end to colonialism, and declared that all armed action and repressive measures against dependent people must end. This Declaration, a consequence of changes in UN membership, marked the beginning of a more active role by the organisation in the decolonisation process. Thus, the General Assembly developed a set of principles to identify colonial territories, declared that all states administering such territories had a duty to submit their administration to the scrutiny of the UN, and to this effect, it established a special committee (Committee of 24) to ensure that the Declaration on Decolonisation was promptly implemented.²⁷

This new international law of decolonisation greatly contributed towards shifting the focus of the UN debate on Namibia. Indeed, from 1960, the General Assembly began to abandon its obsession with legal technicalities of the Mandate, concentrating instead on the central question of Namibia's independence. Consequently, by 1966 the rapid evolution of the right of self-determination of colonial peoples had already rendered the Mandate obsolete. Thus, the termination of the Mandate by the General Assembly—a decision fully justified in as far as the legality of the Mandate is concerned—was above all an acknowledgement that the Mandate was no longer an adequate vehicle to secure Namibia's independence.

Consequences

Namibia is perhaps the clearest case of a unit entitled to exercise the right of self-determination. It has had an international status for more than sixty years and its people and territory are well defined. Two important consequences derive from this: on the one hand, every single act or omission by South Africa—as well as by other states—which impedes the exercise of the right of self-determination of Namibia is an internationally wrongful act; on the other hand, the people of Namibia have a right to resist any action which deprives them of their right of self-determination, and to this effect are entitled to seek and receive support from other states.

After the termination of the Mandate, the UN continued its responsibilities since termination did not change the international status of the Territory. However, by 1966 the meaning of the principle of the sacred trust—one of the pillars of the Mandate system—had changed

²⁷ General Assembly Resolutions 1541 (XV) 1960 and 1654 (XVI) 1961.

from a paternalistic conception of tutelage exercised over 'peoples not yet able to stand by themselves' to the contemporary notion of self-determination and independence.²⁸ Accordingly, the General Assembly decided to assume the Territory's administration directly, with independence as its objective. To this effect it established the UN Council for Namibia, entrusting it with the necessary powers to administer the Territory until independence. However, South Africa's illegal occupation has so far prevented the Council from entering Namibia.

The UN Council for Namibia is today the only authority legally empowered to administer and represent Namibia.²⁹ Consequently, as stated in Security Council Resolution 276 (1970), all acts taken by South Africa on behalf of, or concerning, Namibia after the termination of the Mandate are illegal and invalid; and any kind of relation concerning Namibia can only be entered into or maintained through the Council. Member States of the United Nations have a duty to recognise and assist the Council for Namibia because it is discharging a responsibility that belongs to the UN. Because the Council for Namibia has been prevented by South Africa from entering the territory, its acts cannot, for the time being, be enforced inside Namibia. However, as the lawful authority of the Territory it has the duty to safeguard the interests of Namibia by every means available. To this effect, in September 1974, the Council enacted Decree No. 1 for the protection of Namibia's natural resources.

Decree No. 1 is a domestic law of Namibia designed to take effect outside Namibia. It prohibits the exploitation of Namibia's natural resources and provides for the seizure and forfeiture of any such resource which is removed from the territory. This Decree can be enforced through the municipal courts in the territory of states where Namibian natural resources are found. These courts should give effect to the Decree not only because it was promulgated by the lawful authority of Namibia, but also because it embodies the international public policy of safeguarding the interests of the Namibian people. The Decree will soon be tested in the courts of The Netherlands, where the UN Council for Namibia is to commence legal proceedings against Urengo, a company involved in processing Namibian uranium in

²⁸ For an authoritative statement on the transformation of the principle of the sacred trust, see *ICJ Reports 1971*, p. 31.

²⁹ See generally S C Saxena, 'Role of the United Nations Council for Namibia', *African Quarterly* (17) 1978, pp 5-31.

contravention of Decree No. 1. This legal action is the first of several measures which the Council is taking to secure compliance with Decree No. 1.³⁰

Decree No. 1 is not a rule of international law.³¹ However, states are bound by its content because the Decree spells out the legal consequences of South Africa's occupation of Namibia in the critically important area of natural resources. In several binding Resolutions, the Security Council has called upon states to refrain from any dealing implying recognition of South Africa's illegal occupation of Namibia.³² Thus, to the extent that trade in Namibian resources requires some level of official activity on the part of the importing state this constitutes a violation of international law, as well as a violation of Decree No. 1. The importation of Namibian uranium into the European Community is a case in point. Because all contracts for the supply of uranium into the Community are signed by the relevant organ of EURATOM, all Member States of the European Community are involved in a serious breach of international law.

The consensus view on Namibia which emerged after more than thirty years of debate in the United Nations has important legal implications. First, it guarantees that the UN will not recognise any group other than the genuine representatives of the Namibian people as subjects entitled to exercise the right of self-determination. Second, it provides the basis for the claim of compensation which the government of an independent Namibia will be entitled to make against South Africa for the innumerable crimes and abuses perpetrated against its people and for the illegal occupation of its territory. Third, it provides the framework to assess the behaviour of those states which, in breach of their clearly stated international obligations, give effect in their territories to illegal acts of the occupying power in Namibia. Fourth, it makes it possible to protect Namibia's natural resources through the

³⁰ The decision to take legal action against Ureenco was announced by the UN Council for Namibia on 3 May 1985. For an interesting analysis of the illegal trade on Namibian uranium see: A Roberts, *The Rossing File*, London: Namibia Support Committee, 1980.

³¹ This is not a view shared by all international lawyers. Some argue that the Decree is indeed a binding rule of international law, while others deny that the Decree has any legal force whatsoever. For a good summary of this debate see: N.J. Schrijver, 'The status of Namibia and of its natural resources in international law', in UN Council for Namibia, *Regional Symposium on International Efforts to Implement Decree No. 1 for the Protection of the Natural Resources of Namibia*, New York, 1985, pp. 17-52. This publication can be obtained free of charge from the Office of the UN Commissioner for Namibia in New York and from UN Information Centres throughout the world.

³² Security Council Resolutions 269 (1969), 276 (1970), 283 (1971) and 301 (1971).

implementation of Decree No. 1 outside Namibian territory. And fifth, it provides that individuals and companies that today take advantage of South Africa's illegal occupation are liable to pay compensation to the future government of an independent Namibia and that their home states cannot afford them diplomatic protection.

The important consequences arising from the prevailing legal consensus on Namibia explain why South Africa and its allies are so determined to undermine it in the current negotiations.

A challenge to the legal consensus

The UN Plan for independence

The UN Plan for the independence of Namibia is contained in Security Council Resolution 435 (1978), which also incorporates the settlement proposal made by the Contact Group in April 1978 and various reports by the Secretary-General.³³ The objective is to secure the withdrawal of South Africa's administration and the transfer of power to the Namibian people through elections supervised and controlled by the United Nations. The Plan is to be implemented in various stages beginning with a ceasefire agreement between South Africa and SWAPO and culminating with the adoption of a Constitution by an Assembly elected in free and fair elections held for the whole of Namibia as one political entity. To assist in the implementation of the Plan, Resolution 435 established a United Nations Transition Assistance Group (UNTAG). This is a unique operation with military and civilian components and comprising nearly 9,000 personnel of which 20 per cent are civilian. UNTAG is under the direction of the Secretary-General and operates under the overall authority of the Security Council.

Negotiations for the implementation of the UN Plan have now been going on for more than seven years.³⁴ During this time, South Africa has continued to use force against the liberation movement of Namibia and has committed several acts of aggression against neighbouring states. At the negotiating table, South Africa has shown no signs of being seriously interested in implementing the UN Plan, but instead had used the

³³ UN Doc. S/12636 (10 April 1978), UN Doc. S/12827 (29 August 1978) and UN Doc. S/13862 (31 March 1980).

³⁴ For a recent analysis of the legal aspects of the negotiations see H J Richardson III, 'Constitutive questions in the negotiations for Namibian independence', *American Journal of International Law* 78(1) 1984, pp 76-120. For an interesting comparison with the case of Zimbabwe see R F H Austin, 'Namibia and Zimbabwe: decolonisations and the rule of international law', *Current Legal Problems* (35) 1982, pp 203-31.

negotiations to play for time in an effort to discredit the UN and to legitimise its presence in the Territory. In this way, it is attempting to prepare the ground for an independence settlement outside the framework of the UN and without the participation of SWAPO. Thus, during the course of the negotiations, South Africa, with the support of some members of the Contact Group, has raised several issues which attempt to challenge the hard-won legal consensus on Namibia. This section examines three of these issues: impartiality of the UN, the shaping of the Constitution of the future independent Namibia and the linking of Namibia's independence with other political matters affecting the region.

Impartiality of the UN

The question of UN bias, a familiar theme in South African propaganda since 1945, was raised by South Africa early on in the current negotiations. Indeed, by mid-1980, as agreement was being reached on most of the technical issues relating to the implementation of the UN Plan, South Africa began to argue that the UN could not play a neutral role, thus creating an impasse in the negotiations. According to South Africa, the UN cannot be expected to play such a role because it is at the same time 'the most ardent protagonist of SWAPO, which is one of several parties contending for power in the Territory.'³⁵ In its view, the decision of the General Assembly to proclaim SWAPO as the sole and authentic representative of the Namibian people justifies the assumption 'that UNTAG will be a stalking-horse for SWAPO.'³⁶

Although South Africa's argument raises an important point about the implementation of the UN Plan, it is based on a misconception about the overall role of the UN in the question of Namibia. With regard to the issue of implementing the independence Plan, the UN has always accepted the principle of impartiality, but has also clarified that this principle does not place South Africa on an equal footing with the UN. According to the UN, impartiality has two aspects: those undertakings which the UN might require of South Africa so as to ensure the impartial discharge of its obligations under the settlement proposals; and those which the UN would wish to adopt in order that its impartiality as the supervisor of free and fair elections would be manifest.³⁷ However, the impartiality of the UN during the implementation of the Plan does not

³⁵ UN Doc. S/14139 (29 August 1980).

³⁶ *ibid.*

³⁷ UN Doc. S/14266 (24 November 1980)

entail an abdication of its responsibilities relating to Namibia. The UN is not and cannot be neutral for its main objective concerning Namibia is to end South Africa's illegal occupation so as to secure the country's independence.

It should be noted that the recognition of SWAPO by the General Assembly is an acknowledgement of its overwhelming support inside the Territory and was prompted by South Africa's attempt illegally to manipulate Namibia's internal politics in its efforts to achieve an internal settlement. In this respect, SWAPO has indicated that as soon as South Africa signs a cease-fire agreement it will be for the people of Namibia, through free and fair elections, to decide who will be their genuine representatives. Moreover, South Africa's argument about UNTAG does not take into account the fact that UNTAG was established by the Security Council, an organ in which South Africa has powerful friends.

Constitutional proposals

In January 1981, a pre-implementation meeting convened by the Secretary-General of the UN was held in Geneva. At this meeting the two parties to the conflict were represented: the people of Namibia by SWAPO's President, Mr Sam Nujoma, and South Africa by the Administrator-General, Mr Danie Hough. The meeting was also attended by observers representing the front-line states, the Contact Group, the OAU and Nigeria. The aim of the meeting was to break the barrier of distrust between the parties and to agree on a date for a cease-fire so as to achieve Namibia's independence before the end of 1981.

At this meeting UN officials explained technical aspects relating to the operation of UNTAG and the role of the Secretary-General in the implementation of the independence plan. SWAPO's delegation expressed its willingness to sign a cease-fire and agree to a date to begin implementation. However, South Africa's delegation, despite earlier assurances to the contrary, again raised the question of impartiality thus causing the meeting to collapse.³⁸

After the failure of the pre-implementation meeting the Security Council was convened to consider the imposition of economic sanctions against South Africa. However, once again, the Security Council was unable to act because of the negative votes of the UK, France and the

³⁸ UN Doc S/14333 (19 January 1981).

US, thus causing great dismay among the majority of states in the UN. In order to divert attention away from the vetoes, the Contact Group announced in May 1981 it would introduce a set of proposals for constitutional arrangements to establish an understanding 'among all the parties about the shape of the future independent Namibia'.³⁹ The Contact Group proposals were eventually announced in September 1981, after the new administration of President Reagan had begun implementing its policy of 'constructive engagement' in Southern Africa. This new American policy gives absolute priority to South Africa's alliance with the West and seeks to diminish, at all costs, what is perceived as growing Soviet influence in the region.

The constitutional proposals provide that Namibia will be a unitary state with a written Constitution.⁴⁰ That it will have three branches of government: an executive, elected by universal suffrage; a legislature, with the responsibility for making and approving all laws; and a judiciary, with the power to interpret the Constitution. According to the Contact Group proposals, the Constitution will guarantee basic rights, and courts of law will be entitled to adjudicate and enforce them. Equal access to every level of public administration will also be guaranteed. The Constituent Assembly will approve the Constitution by a two-thirds majority.

The Contact Group proposals can be analysed from two angles: their substance and their legal status. In terms of their substance, the proposals contain a somewhat vague restatement of well-known principles of liberal democracy and, as such, may provide the basis for a fruitful academic debate. However, in terms of their status, insofar as these proposals purport to determine the shape of the future Namibian state, they only express a political aspiration and have no concrete legal significance and no binding force whatever.

The Constituent Assembly, Namibia's first sovereign organ, cannot be bound in advance by rules elaborated in the course of the negotiations. Any attempt to restrict its sovereign powers is null and void under international law. Firstly, because it would constitute a blatant intervention in the domestic affairs of the future sovereign state of Namibia in contravention of the Charter of the United Nations and of well-established principles of international law. Secondly, because it would violate an essential component of the right of self-determination

³⁹ UN Doc. S/14474 (6 May 1981).

⁴⁰ UN Doc. S/15287 (12 July 1982)

which provides that the decolonisation of colonial peoples must be unconditional.⁴¹ And thirdly, because, under the terms of Security Council Resolution 435, the object of the current negotiations is only to secure the transfer of power to the people of Namibia and not to determine the form in which they will exercise their sovereignty.

SWAPO and the front-line states responded with caution to the constitutional proposals. They absolutely rejected the notion that these proposals could be binding on the Constituent Assembly, but accepted them as guidelines. However, they strongly opposed a proposal for an electoral system put forward by the Contact Group.⁴² According to this proposal, members of the Constituent Assembly would be elected by a mixed electoral system: half of its members to be elected by proportional representation on a national basis and the other half on the basis of single-member constituencies.

The approval of an electoral system for a Constituent Assembly is perfectly within the terms of reference of the negotiations, since it would provide the means for effecting the transfer of power to the people of Namibia. However, SWAPO rejected the mixed electoral system because, apart from being extremely complicated to implement, it was regarded as a blatant attempt to prevent SWAPO candidates from winning two-thirds of the seats in the Constituent Assembly. According to SWAPO, the proposal was intended to have the white vote counted as a bloc via proportional representation, while at the same time giving black candidates opposed to SWAPO a chance to appeal for votes on tribal or ethnic bases.⁴³ Instead of this mixed system, SWAPO proposed that it would be willing to accept either one or the other, but not a combination of the two. For its part, South Africa, which had accepted the Contact Group proposal, rejected SWAPO's counter-proposal. Thus, by June 1982 negotiations were blocked over the choice of electoral system.

In October 1983, the Security Council clarified that the electoral system to be used for the election of the Constituent Assembly should be determined before approving the enabling resolution for the implementation of the UN Plan.⁴⁴ The Security Council also called

⁴¹ Paragraph 5 of the UN Declaration on Decolonisation (GA Res. 1514(XV) (1960)) provides that the transfer of power to peoples under colonial domination shall take place 'without any condition or reservations'.

⁴² For SWAPO's position on this and related issues see, 'Pitfalls of Western diplomacy on Namibia', *Namibia Today* 6(2) 1982, pp 6-13.

⁴³ *Ibid.*, p 13.

⁴⁴ Security Council Resolution 539 (1983).

upon South Africa to communicate to the Secretary-General its choice of electoral system to facilitate the immediate implementation of Resolution 435. So far, South Africa has not made up its mind on this question claiming, on the one hand, that this is a highly complex and difficult matter and, on the other hand, that the choice of electoral system will be settled without difficulties as soon as Cuban troops are withdrawn from Angola.⁴⁵

Cuban forces in Angola

After President Reagan took office in 1981, the United States government suggested that the settlement in Namibia should be linked to the withdrawal of Cuban troops from Angola. This suggestion was welcomed by South Africa, but did not gain unanimous acceptance among members of the Contact Group. To gain support for this proposal, in 1982 President Reagan launched a major diplomatic offensive led by Vice-President Bush and by Vernon Walters, the President's personal envoy.

The linkage proposal was immediately rejected by SWAPO and the front-line states, and in 1983 it was unanimously repudiated by the International Conference in Support of the Struggle of the Namibian People for Independence, held in Paris in April 1983 and attended by representatives from 138 states. The Declaration on Namibia approved by the Conference categorically rejects the attempts by the United States and South Africa 'to establish any linkage or parallelism between the independence of Namibia and extraneous and irrelevant issues, in particular the withdrawal of Cuban troops from Angola . . .'⁴⁶ The linkage proposal was also firmly rejected by the General Assembly.⁴⁷

In May 1983, the Security Council called upon South Africa to make a firm commitment as to its readiness to comply with Security Council Resolution 435 and requested the Secretary-General to undertake consultations with the parties to the proposed cease-fire. After visiting South Africa, the Secretary-General reported substantial progress on all aspects concerning implementation of the UN Plan, but pointed out that South Africa continued to insist on the withdrawal of Cuban troops from Angola, thus creating an impasse in the negotiations.⁴⁸

⁴⁵ See UN Doc. S/16219 (22 November 1983) and UN Doc. S/16106 (29 October 1983).

⁴⁶ *Report of the United Nations Council for Namibia*, 38 UN GAOR, Supp. 24, p. 17.

⁴⁷ See General Assembly Resolutions 37/233A (1982) and 38/36B (1983).

⁴⁸ UN Doc. S/15776 (19 May 1983).

Eventually, in October 1983, the Security Council adopted Resolution 539 (by a vote of fourteen to none, with the abstention of the United States) in which the linkage proposal is categorically and rightly rejected on the grounds that it is incompatible with all UN resolutions on Namibia and with the General Assembly Declaration on Decolonisation. This resolution has not yet succeeded in persuading South Africa and the United States to change their minds. After the adoption of this resolution the Contact Group effectively ceased to function.

It is important to note that although the presence of Cuban forces in Angola is irrelevant to settling the question of Namibia, their presence there is perfectly legal under international law. Indeed they are there in response to an invitation made in 1975 by the lawful government of Angola and prompted by the fact that on the eve of independence, South African troops and mercenaries invaded Angola. Since then, South Africa and the US continue to give support to UNITA and other groups which seek to overthrow the government by force. The presence of Cuban troops in Angola is therefore justified in international law on two main grounds: first, they were invited by the lawful government; and second, they are assisting the government of a newly independent state in the exercise of the right of self-determination. Hence, the withdrawal of Cuban forces from Angola should be linked to South Africa's policies in respect to Angola and not to Namibia's independence.

Conclusions

The international community has not yet fulfilled its responsibilities towards Namibia. Nevertheless, over the years, there has developed a legal consensus which has contributed to safeguarding some basic interests of the Namibian people. Thus, so far, the illegal authorities imposed by South Africa in the Territory have not secured international recognition; the linkage proposal has been overwhelmingly rejected; and attempts at curtailing the powers of the envisaged Constituent Assembly have been frustrated. Moreover, after independence this consensus will provide the legal basis for the compensation which is owed to Namibia by all those who, defying the authority of the United Nations and basic principles of international law, exploit the country's human and natural resources.

The legal consensus on Namibia—based on solid principles—is the

product of a long political process. It has provided a durable framework for the current negotiations and has contributed towards safeguarding some basic interests of the people of Namibia. Yet it should not be taken for granted. Law is not immutable. As long as the struggle for independence continues, South Africa and its allies will seek to undermine it. Namibia supporters should therefore not abandon the legal terrain. For despite its shortcomings, international law is playing and will continue to play an important role in the decolonisation of Namibia.

Reluctant compromise on the nuclear arms chase

In September 1985 in Geneva representatives from eighty-eight¹ of the 130 countries who had signed the Nuclear Non-Proliferation Treaty (NPT) met for the third of the five-yearly Review Conferences to evaluate the operation of the Treaty.

The NPT, which came into force in 1970 for a 25-year period, is the world's only multilateral treaty aimed at halting both the spread (horizontal proliferation) and the build-up (vertical proliferation) of nuclear weapons. At its simplest, it may be seen as a bargain whereby the non-nuclear weapon states agree not to develop or acquire nuclear weapons and in return are offered preferred access to nuclear power (and nuclear-based technologies for use in research, medicine and agriculture) plus a firm promise that the three nuclear weapon states who are party to the Treaty, i.e. the US, USSR and UK, will make progress towards nuclear disarmament at an early date, through negotiations undertaken in good faith.

Because of the total lack of any real progress in this latter area the Third Review Conference was viewed with serious trepidation² since it was feared that failure of the nuclear weapon state (NWS) signatories to keep their side of the bargain could mark the beginning of the end of the NPT and the international nuclear non-proliferation regime of which it is the centrepiece. Fortunately, this did not happen. But before considering what actually did occur at the Third Review Conference it is

¹ Ten other non-NPT member-states, namely Algeria, Argentina, Bahrain, Brazil, Chile, Cuba, Israel, Pakistan, Spain and Tanzania attended as observers. In addition, the Palestine Liberation Organisation was granted observer status. Both the United Nations and International Atomic Energy Agency had a formal presence, and the EC's nuclear agency EURATOM, had an informal representation.

² See for instance: J Simpson and A G McGrew (eds), *The International Nuclear Non-Proliferation System: Challenges and Choices*, London: Macmillan, 1984; J Goldblat, *Nuclear Non-Proliferation: A Guide to the Debate*, Stockholm: SIPRI, 1985; M Reiss, 'Beyond the 1985 NPT Review Conference: learning to live with uncertainty', *Survival*, September 1985, pp 226-34; W Donnelly, *The Nuclear Non-Proliferation Treaty Conference 1985*, by Warren Donnelly, Robert Beckman, US Congressional Research Service, Document 'B85009', April 1985, pp 14; I Bellamy, C D Blacker and J Gallagher, 'The Nuclear Non-Proliferation Treaty' *Arms Control* 5(3) December 1984; K Firke, A Kirschenmann and B Malley (eds) 'Campaigns on the NPT Review', Special joint issue of *Disarmament Campaigns* (44) and *WISE: communiqué* (228), May 1985, The Hague and Amsterdam; I B Fonseca, 'Preventing the spread of nuclear weapons', *Disarmament* 8(2) Summer 1985, pp 131-38.

important to clarify what the NPT is, what historic processes brought the Treaty about, what are the criticisms of it and what happened at the two previous review conferences in 1975 and 1980.

What is the NPT?

The NPT was drawn up by its three NWS signatory members, the US, USSR and UK—although the UK played a subsidiary role—and signed in July 1968. They became the so-called depository states for the Treaty. It comprises eleven short articles and a preamble. The other acknowledged NWSs, the People's Republic of China and France have not joined, although France claims to abide by the Treaty's provisions. India, which has also proved the technical capability of exploding a nuclear device, is also a non-signatory.

The NPT was negotiated by the superpowers within the framework of the Eighteen Nation Disarmament Committee (ENDC), to which the negotiations were referred, in June 1965, by the UN Disarmament Commission. The original plan for a comprehensive treaty on non-proliferation came from the so-called Irish Resolution to the UN General Assembly in late 1958. The Latin American Treaty of Tlatelolco, negotiated after the Cuban missile crisis confronted the region with a direct nuclear threat, was signed in February 1967 and entered into force in April 1968, just months before the NPT was signed. It declares Latin America a nuclear weapons-free zone and is overseen by the agency OPANAL.

The NPT imposes different obligations on the nuclear weapons states parties than it does on the non-nuclear weapons states.³ The latter are obliged not to acquire or develop nuclear weapons under Article II of the Treaty. Under Article III they agree to accept International Atomic Energy Agency (IAEA) safeguards on all their nuclear activities in order to help to prevent diversion of nuclear material for weapons purposes. The safeguards system is not meant as a policing system as such, rather having its effect by deterring through the fear that any diversion would have a high chance of 'timely' detection.⁴

³ See 'Treaty on the non-proliferation of nuclear weapons: review conference of states parties Geneva 1985', and 'The Non-Proliferation Treaty—Fifteen years after entry into force', *UN Disarmament Fact Sheet* Nos 33 and 41.

⁴ *Background paper on the activities of the IAEA relevant to Article III of the NPT*, prepared by IAEA Secretariat, NPT/CONF/9, June 1985. D Lewry: 'Safeguarding the future?', A proof of evidence to the Sizewell 'B' Inquiry on behalf of CND, September 1984. D Fischer and P Szasz, *Safeguarding The Atom: A Critical Appraisal*, Stockholm: SIPRI, 1985.

The US, USSR and UK are obliged under Article I not to transfer nuclear weapons to any recipient whatsoever. Under Article IV they must assist non-nuclear signatories in the development of nuclear energy for peaceful purposes (other NPT member states with advanced nuclear programmes are also expected to offer assistance). Most importantly, under Article VI the three nuclear weapons signatories commit themselves to make progress towards nuclear and eventually general disarmament. The US, USSR and UK are not obliged to accept IAEA safeguards on their peaceful or military nuclear facilities and there are no limits set on their nuclear weapons programmes beyond the requirements of Article VI, although the preamble to the NPT recalls the determination expressed by signatories of the 1963 Partial Test Ban Treaty (PTBT) to seek to achieve the discontinuance of all nuclear test explosions by the negotiation of a comprehensive treaty.

Article VI has always been seen as one of the most crucial parts of the NPT. Indeed, one of the guiding principles of the negotiations for the NPT was that the Treaty should contain an acceptable balance of responsibilities and obligations for the nuclear and non-nuclear powers. The most important part of the *quid pro quo* between the two is Article VI: 'Each of the Parties to the Treaty undertakes to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament . . .'

Article VI obliges the nuclear powers to do more than conduct negotiations on nuclear disarmament. The understanding of the Parties was that negotiations for nuclear disarmament should produce results. If results were not forthcoming then some or all of the nuclear weapon signatories could not be negotiating in 'good faith'. The non-nuclear signatories made it clear during the Treaty negotiations that without progress towards nuclear disarmament the NPT would not be viable. Some delegations suggested that the failure of the US, USSR and UK to comply with Article VI would constitute justification under Article X for States to withdraw from the Treaty.⁵

As a way of monitoring compliance with Article VI, the non-nuclear states insisted on a Review Conference every five years. The five-year interval was chosen on the assumption that negotiations in good faith would produce agreements worthy of consideration at least every five years.⁶ The nuclear weapon states assured the others that they would

⁵ A Tovish, 'The non-proliferation treaty and disarmament', paper for International Physicians for Prevention of Nuclear War, May 1985.

⁶ M I Shaker, *Nuclear Non-Proliferation Treaty Original Implementation 1959-1979* (3 volumes), Oceana Publications.

take their obligations under Article VI seriously when opening up the Treaty for signatories in 1968:

- USSR: (on Article VI) 'Never in all of history have states made such a commitment'. (UNGA/C.1/1571 p 14).
- UK: 'I cannot prove (the nuclear powers') sincerity. An act of faith rather than objective data is required. I accept that when they pledge themselves to pursue negotiations in good faith to end the nuclear arms race at an early date they mean what they say.' (UNGA/C.1/1558 p 15).
- US: 'Article VI was added, and then subsequently strengthened, to give further effect to the principle that the Treaty should embody an acceptable balance of obligations. It binds the Parties to end the nuclear arms race at an early date and to seek effective disarmament.' (UNGA/C.1/1568 p 60).⁷

Historical background to the NPT

The original impetus for negotiating the NPT as far as the superpowers were concerned was to prevent 'horizontal proliferation'—the spread of independent nuclear weapons capability to additional countries. Initially, the concern centred around Western Europe and in particular West Germany. Unease grew when France exploded its first bomb in 1960 followed by China in 1964. This resulted in a series of proposals in the UN resulting in the NPT coming into force in 1970.⁸

Despite its limitations,⁹ the NPT was a major step forward and lessened international tension by reducing the Soviet Union's fears that West Germany (which had not yet signed the Treaty) might build nuclear weapons.¹⁰ But the illusion that nuclear proliferation had been

⁷ See Tovish 1985 *op. cit.* for other historic references.

⁸ Shaker *op. cit.* Other useful discussion may be found in W Epstein, *The Last Chance. Nuclear Proliferation and Arms Control*, Free Press, 1975, esp pp 61–8; S Hardman, *The Near Nuclear Countries and the NPT*, Stockholm: SIPRI, 1972; B T Field, 'To be nuclear or not' in *Bulletin of the Atomic Scientists*, May 1967, pp 60–2; 'Completion of the Nuclear Non-Proliferation Treaty, March–July 1968', *Documents on Disarmament*, US State Department, 1969 Collection, pp 51–68.

⁹ India has been an especially vociferous critic of the inequalities encoded in the NPT. Good examples of criticisms of the inequalities of the NPT are found in Epstein (*op. cit.*) and I S Mishra, 'The NPT is not enough for India', *Bulletin of the Atomic Scientists*, June 1968, pp 4–5; H R Vohra, *Bulletin of the Atomic Scientists*, April 1970 pp 25–7; T T Poulou, 'The Third World response to anti-nuclear proliferation strategy', *India Quarterly* 34(2) April 1978, pp 145–57; T Goldblat (ed), *Non Proliferation, the Why and The Wherefore*, 1985(a), Chapters by G Jain and R W Jones on India (pp 89–123) and W X Q and R Drifts on People's Republic of China (pp 43–55).

¹⁰ J Johnson-Freese, 'Interpretations of the Non-Proliferation Treaty: the US and West Germany', *Journal of International Affairs* (37) 1984, pp 283–93.

controlled by the widespread acceptance of the NPT was shattered when India, a non-signatory to the NPT detonated, in May 1974, what it terms a 'peaceful nuclear explosion' (PNE). As there is no way to distinguish PNE technology from bomb technology, the test clearly demonstrated that India had acquired the ability to build a bomb.¹¹

In response to this the nuclear exporting nations met to strengthen non-proliferation efforts in addition to the NPT. They met first secretly, to discuss common export policies aimed at restricting the flow of sensitive technology. In 1975, the existence of the nuclear suppliers group, also known as the London Club, became public knowledge, raising fears among consuming countries of a supplier cartel that would discriminate against the developing countries' imports of peaceful nuclear technology. The supplier nations said that the Club's purpose was merely to prevent competition for export markets from undermining the non-proliferation regime. The voluntary export guidelines developed by the 15-member Club, which were made public in 1978, emphasised that certain sensitive nuclear technology should be exported only if properly safeguarded, but did not prohibit exports.¹²

By this time, both suppliers and consumers recognised that almost any country that really wanted nuclear weapons could, given enough time and effort (including technical and financial resources), build itself a bomb, no matter what restrictions the rest of the world might impose. This was, in short, the conclusion of the International Nuclear Fuel Cycle Evaluation Conference (INFCE) which reported in 1980 having been initiated by President Carter in 1977. The technology and materials were too widespread to be absolutely controlled. This is not to say that it would be easy for developing countries to build a nuclear explosive, but merely that it could be made impossible. Attention turned to the need to keep the rate of proliferation sufficiently slow to permit the world to adjust to any spread of weapons that did occur, and to increase barriers to proliferation as much as possible.¹³

¹¹ See G Jain in SIPRI 1985(a) above. Also T A Imobighe 'Nuclear non-proliferation and the Third World', *Journal of the Institute for Defence Studies and Analysis* 13(1) July 1980.

¹² A Lovins *et al.*, *The First Nuclear World War*, New York: Morrow, 1983. These additional conditions of export were published by the IAEA, under request, as IAEA Document INF/CIRC/254, in February 1978. A month later the US Congress supported a further set of nuclear export guidelines and restrictions by adopting the US Nuclear Non-Proliferation Act.

¹³ See I. S Spector, 'Silent spread', *Foreign Policy* (58) Spring 1985, pp 53-78. Also W C Patterson, *The Plutonium Business and the Spread of the Bomb*, Paladin, 1984.

The Article IV 'carrot'

In return for giving up the nuclear weapons option, the non-nuclear weapon signatories were offered not only the promise of a move towards disarmament by the nuclear weapon parties under Article VI, but also favourable access to nuclear power under Article IV. Paragraphs 7 and 8 of the preamble to the Non-Proliferation Treaty (NPT) states:

the principle that the benefits of peaceful applications of nuclear technology . . . should be available for peaceful purposes to all parties to the Treaty.

and:

in furtherance of this principle, all Parties to the Treaty are entitled to participate in the fullest possible exchange of scientific information for, and to contribute alone or in cooperation with other states to the further development of the applications of atomic energy for peaceful purposes.

Article IV of the Treaty sets out in more detail the 'inalienable right' of all Parties to the Treaty to benefit from the peaceful uses of atomic energy and ways in which this may be fulfilled. Article III of the Treaty sets out the broad arrangements for safeguarding against diversion to military use any atomic energy projects or materials designated for peaceful uses. Article IV evolved as a result of pressure from the industrially developing states who wanted a stronger more specific commitment to share and promote peaceful nuclear technology than was to be found in the general proposal of the preamble quoted above. The background to this Third World interest in nuclear power goes back to the 1950s.

The industrialised nations in the 'North' developed their nuclear energy capacity (ie scientific and physical infrastructures) in what many observers characterise as the age of atomic optimism in the 1950s (essentially a research stage) and 1960s (when commercial implementation got underway). Three Northern nations with large installed nuclear energy capacities (the US, Soviet Union and UK with 69 GWe,* 23 GWe and 9.5 GWe commissioned capacity in mid-1985 respectively) developed their own peaceful nuclear electrical programmes out of military atomic programmes begun in the 1940s. A fourth nuclear weapon nation, France, which has the highest percentage of its electricity capacity met by nuclear generation (about 60 per cent. 29 GWe, in mid-1985) developed its nuclear weapon capability after it

* GWe = gigawatts electrical power. A gigawatt is 10^3 Megawatts or 1000 Mw(e).

had commissioned its first reactor generating nuclear electricity, although under its atomic energy agency (CEA) little distinction between military and peaceful developments was ever attempted.

In its first two decades, nuclear energy became established as politically and technologically popular for a number of reasons:

- 1) It allowed the awesome power of the split atom of fissionable nuclear material to be put to a constructive purpose (above all, electricity generation) rather than a destructive military purpose. Many scientists and engineers were attracted to work with atomic power for this reason.
- 2) It received very large capital investment for research and development (R&D) from governments ranging across the political spectrum or location around the globe. 'Liberal' capitalist economies to industrially developing states to centrally planned economies all invested substantially in atomic R&D.
- 3) The US 'Atoms for Peace' Plan announced in December 1953 by President Eisenhower. One analyst, Munir Ahmad Khan of Pakistan's Atomic Energy Commission described Atoms for Peace as unveiling a golden era of atomic cooperation and stressed:

Whatever the motives behind the plan, it was without doubt a unique and commendable gesture. The end result of the 'Atoms for Peace' Plan was a large scale and worthwhile transfer of peaceful nuclear technology. The United States trained thousands of engineers and scientists in its own laboratories and provided a large number of research reactors and other facilities to several advanced as well as developing countries. Many developing countries took a keen interest in this new technology which offered both prestige and long term potential economic benefits. The net effect of the 'Atoms for Peace' programme was decidedly positive and far-reaching as far as the less developed countries were concerned. Beside imparting know-how in nuclear research, it acted as a catalyst for initiating a quiet but meaningful scientific and technological change.¹¹

- 4) Along with the US Federal Government sponsorship of Atoms for Peace, a number of large industrial corporations that had invested in atomic energy development in the 1950s began to promote the

M A Khan, *Nuclear Energy and International Cooperation* (for International Consultative Group of Nuclear Energy) Rockefeller, RIIA Joint Publication, 1979. W C Patterson, 'The non-proliferation Treaty: prospects and problems', *Amici Della Terra*, June 1984; I S Spector, *The New Nuclear Nations*, Carnegie Endowment for International Peace, 1985; A Vidyadharan, 'The Islamic bomb: is it ready?', *The Illustrated Weekly of India*, 4 August 1985.

benefits of atomic power in a global sales drive. These corporations included Westinghouse, General Electric and Combustion Engineering. In the early 1960s, the commercial sales operations were accompanied by the ubiquitous slogan 'Atomic power: electricity too cheap to meter.'

- 5) Apart from national government campaigns similar to the US 1953 initiative, the British, French, Canadian and West German governments—along with the Soviet Union in a more restricted way—also promoted nuclear exports. In 1957 these governments were joined by the European Community's nuclear agency EURATOM and the Nuclear Energy Agency (NEA) of what is now called the Organisation for Economic Cooperation and Development (OECD), both of which had technical and information programmes to assist atomic development. But more important than either EURATOM or NEA was the International Atomic Energy Agency (IAEA) also established, by international statute, in 1957 as an autonomous organisation affiliated with the United Nations. The IAEA had major financial and political support from the United States.

The IAEA had as one of its two main functions to promote the peaceful uses of atomic energy, including technical assistance. Its other major role was to apply international safeguards, initially only when requested by sovereign states.

Safeguarding the future?

In 1970 the same year as the NPT came into force, the International Atomic Energy (IAEA) published a set of safeguards arrangements (IAEA Document INFCIRC/153) detailing how to apply the mandatory duty to prevent military diversion of civil atomic energy projects or materials set out in NPT Article III. This had been seen as the central complement to Article IV.

Prior to the 1985 NPT Review Conference, the IAEA had negotiated a safeguards agreement under the general provisions of INFCIRC/153 with 84 non-nuclear weapon states party to the NPT. Safeguards arrangements were in force with seventy-eight of these states (according to NPT Newsletter in *IAEA Bulletin* 27(2) Summer 1985). The IAEA Director-General, Dr Hans Blix, described the benefits and limitations of such nuclear safeguards in the same issue of the *IAEA Bulletin*: 'Safeguards cannot prevent a violation of obligations—the diversion of fissile material—any more than a bank or company audits can prevent a misappropriation of funds. All they can do is expose infringements or

arouse suspicions—in effect, sound the alarm.’ Despite INFCIRC/153, a series of supplementary safeguards provisions and restrictions were developed in addition to NPT related safeguards.

The nuclear technology suppliers began work together to develop a ‘trigger list’ (so called because the export of any of the items on the list would trigger the safeguards arrangements into action) of nuclear technologies that would automatically require the application of safeguards. Under the guidance of the Swiss scientist, Professor Claude Zangger, this expert committee produced its interpretation list which they communicated to the IAEA. Just months before the publication of the ‘trigger list’, India, a non-NPT nation, exploded its nuclear device in the Pokharan desert near the Pakistan border.

Objections to the NPT

Critics of the NPT tend to come from two sources: the governments of non-signatories who feel the treaty is discriminatory and those predominantly non-governmental critics, who feel that the NPT has within it an inherent and dangerous inconsistency.

As was outlined earlier, the NPT was the culmination of nearly a decade of careful diplomacy. On 31 May 1968 the American and Soviet delegates submitted the final revised draft of the Treaty to the UN General Assembly, after detailed redrafting had taken throughout the spring, following UN General Assembly resolutions adopted in the 1966 and 1967 sessions (especially 2149 (XXI) 4 November 1966, 2153 A(XXI) 17 November 1966, and 2346 A(XXII) 19 December 1967). But this *Pax ‘Russo-Americana’* was severely criticised by a number of states, above all India and the People’s Republic of China.

India and the NPT

Dr Vohra summed up India’s policy thus: ‘We will not sign the NPT; we will make no atomic weapons; we will accept no guarantees’ (see note 9). Another analyst, T T Poulouse, wrote in the *India Quarterly* (April 1978):

While India has been as much opposed to the proliferation of nuclear weapons as any of the nuclear weapons powers, the NPT in the present form is not and, will not be, acceptable to it, primarily because it is designed mainly as a political instrument of the two superpowers to divide the nations into the nuclear ‘haves’ and the nuclear ‘have-nots’. After the superpowers had acquiesced in selective proliferation before 1967—the fateful year when the NPT formalised the status of nuclear and non-nuclear weapon powers—both the civilian and military

nuclear technology became the monopoly of the five nuclear weapons powers. This is the most discriminatory character of the NPT. But apart from this basic weakness, two out of the five nuclear weapons powers still remain non-parties to the NPT. The NPT has also failed to do anything whatsoever to declare illegal vertical proliferation, the most blatant form of present nuclear proliferation. A non-proliferation agreement which ignores the present proliferation, and preoccupies itself with future proliferation, is naturally unrealistic, ineffective and therefore unacceptable to those nations, including India, which want a non-proliferation treaty to curb both the vertical and horizontal proliferation. Instead, the NPT concentrates exclusively on the dissemination and spread of nuclear weapons (see note 9).

India has steadfastly refused to accede to the NPT, despite overtures by Pakistan's General Zia, above all at the celebratory Fortieth General Assembly of the UN in October 1985, when he declared Pakistan would join the NPT if India similarly were prepared to do so. Reciprocal distrust in the sub-continent, as well as a desire not to be belittled on the world stage has reinforced India's objections to the NPT.

The People's Republic of China

In 1967-8, with the Vietnam War escalating along her southern border, the People's Republic of China held the US and USSR in about equal contempt. She had broken with the USSR in 1959, partly as a result of differences over the aid that the Soviet Union was prepared to make on nuclear technology. It was only after President Nixon's visit in 1972 that a new rapprochement began with the US. For the Chinese the 1960s was a decade of diplomatic isolation.

In an unsigned official statement on nuclear proliferation, published in English in the *Peking Review* of 18 November 1966, the Chinese expressed trenchant views on the US, USSR and the prospective NPT: The treaty on the non-proliferation of nuclear weapons jointly drawn up by the US and the Soviet Union is absolutely unjust and unfair to the other countries of the world. Whereas the US and the Soviet Union may develop nuclear weapons on a big scale and go all out for nuclear monopoly, the non-nuclear countries are not allowed to have anything whatsoever to do with nuclear weapons, not even to think of them. Nor is this all. They should sign such a document on the dotted line, pledging that they will not do so, nor think about it. Is there anything more preposterous under the sun?

The Chinese concluded that the NPT was a monstrous fraud; that the US was the world's biggest proliferator with nuclear bases spread around the world; and that the aim of the NPT was to 'hoodwink the people of the world'. Moreover, between exploding her first nuclear

test in October 1964 and her first H-bomb test on 17 June 1967, the Chinese Foreign Minister, Chen Yi, actually expressed the hope in 1965 that Afro-Asian nations would be able to make nuclear weapons themselves and that 'it would be better for a greater number of countries to come into the possession of atom bombs.'

By late 1985 the People's Republic of China had considerably tempered this trenchant view. This change of perspective on nuclear proliferation was underlined by Ambassador Qian Jiadon's confirmation to the UN in early November 1985 that an earlier speech by Deputy Premier Li Peng, on 18 January 1984, to the effect that his country 'had no intention at present or in future of helping non-nuclear countries to develop nuclear weapons', was the official Chinese view. The statement by Ambassador Qian was provoked by US Congressional concern that the Chinese had an irresponsible attitude to non-proliferation—a concern that had held up an enabling accord between Washington and Beijing on nuclear technology transfer, originally agreed in May 1984 and approved by President Reagan in July 1985. Moreover, immediately subsequent to the 1985 NPT Review Conference, the Chinese Deputy Nuclear Minister, Zhao Ping, told the annual meeting of the IAEA—a body the Chinese had joined only twenty months earlier—that the People's Republic of China were prepared to allow nuclear safeguards inspection 'at some of its civilian nuclear installations', under an arrangement to be settled with the IAEA 'at an appropriate time.'¹⁵

The French objection

The French objections to the NPT in some ways parallels Indian and Chinese concerns that the Treaty is discriminatory. The perspective taken by successive French administrations on the NPT has been explained by Bertrand Goldschmidt, French representative to the IAEA, 1958–80, in the 1985 (a) SIPRI study (see note 9).

¹⁵ *Jane's Defence Weekly* 3(6) 9 February 1984. C Sankowski, 'Reagan under pressure to OK reactor pact with China', *Christian Science Monitor*, 4 March 1985; B Weinraub, 'Reagan welcomes Peking President: atom pact signed', *New York Times*, 24 July 1985; M Clarke, 'Trouble for US-China pact?', *Nature* (317) 19 September 1985; P Blum, 'China to allow inspection of nuclear plant', *Financial Times* (London) 25 September 1985; C Paine, 'Fuzzy safeguards for US-China deal', *Bulletin of the Atomic Scientists*, October 1985, pp. 6–7; M Hosenball, 'China accused of secret nuclear technology sales', *Sunday Times* (London) 10 November 1985; Patrick E. Tyler, 'Panel back nuclear pact with China, but link US sales to non-proliferation' *International Herald Tribune*, 15 November 1985.

Nuclear commerce outside the NPT

- a) France has refused to become a party to the NPT, but declared in 1968 that it would behave 'as though it were a party'. This assurance, however, must be set against its nuclear activities in practice. In 1976, for instance, the French government endorsed the sale of the Koeberg nuclear plant to South Africa—a non-party—winning the order against stiff competition from vendors from the US, the Federal Republic of Germany and the Netherlands. France also supplied a reprocessing plant, capable of producing weapons grade plutonium, to Pakistan—another NPT non-party—breaking off deliveries of hardware only when the plant, at Chashma, was nearing completion.
- b) In 1980 a consortium of companies from the Federal Republic of Germany and Switzerland won an order from Argentina to supply not only the Atucha-2 nuclear station but also a heavy-water plant. Reports indicated that the German-Swiss bid was substantially higher than that from a Canadian consortium but Canada was insisting that Argentina accept full-scope safeguards as a condition of sale, whereas the German-Swiss bid did not make this condition. Argentina was at the time completing a reprocessing plant at Ezeiza, that was under no safeguards whatever. Indeed, the IAEA claimed to have no knowledge of the plant when its existence was revealed. However, the nuclear situation in Argentina appears to have improved since the country's return to democratic government; for instance President Alfonsín has issued strong statements in favour of a halt to nuclear testing arising from his involvement in the Five Continents Peace Initiative with five other heads of state—the most recent collective communiqué being released at the end of October 1985. Additionally, in March 1985, Argentina and Brazil began negotiations for reciprocal nuclear inspections of each other's nuclear facilities details of which will be sorted out in a joint committee in early 1986 according to *Nucleonics Week* (5 December 1985). But the improvement owes nothing whatever to the behaviour of NPT parties in the interim, some of whom were seemingly prepared to deal with the Argentine military government with impunity.
- c) From the late 1970s onward, the US, UK and France battled to win contracts to sell nuclear technology to the People's Republic of China which was not only a non-party to the NPT, it was a nuclear

weapon state and the only country still exploding nuclear weapons in the atmosphere; moreover, it refused to have anything to do with international safeguards until September 1985, although a hint had been given by the Chinese a year earlier at the 1984 IAEA annual meeting. It was also reported to have aided several other states, in particular Pakistan, to develop nuclear weapons.

Criticism from non-governmental organisations

Non-governmental critics point out that one of the carrots offered by the NPT to halt the spread of the bomb, is the very technology that can lead to its production, i.e. nuclear power. Environmentalists point out the drawbacks of this technology compared with the so-called 'soft energy path'; developmentalists point out that nuclear power is totally unsuited to supply the energy needs of developing countries and the peace movement is concerned that parties can withdraw from it at short notice (under Article X), taking with them the 'civil' nuclear benefits already conferred and perhaps using these in a less than peaceful manner. All are united in their condemnation of the US, USSR and UK in their failure to live up to what might be termed their vague commitment to pursue negotiations in good faith. (At the 1985 NPT Review Conference there were forty-six non-governmental organisations (NGOs) present, each for part of the month-long conference at least. Every continent bar Africa was represented amongst the ninety or so NGO delegates present).

Most critics, however, whether national governments or non-governmental organisations recognise that flawed as it is, if the NPT were to collapse nothing would replace it: the Third Review Conference was therefore awaited with considerable concern in certain quarters. In the lead-up to the September Geneva meeting, substantial efforts were made by the nuclear weapons signatories—the depository states—to endeavour to make things go smoothly. The US encouraged new members into the Treaty; the USSR opened some of its nuclear installations to IAEA inspectors for the first time¹⁶ and the UK has called upon its nuclear industry to make greater efforts to meet the needs of non-nuclear weapons countries.¹⁷ The superpowers also held

¹⁶ See M B Nathanson, 'Soviet reactors to open for international inspection', *Bulletin of the Atomic Scientists* June/July 1985, pp 32–3; A MacLachlan, 'First IAEA team in USSR to see VVER—1000 and research reactor', *Nucleonics Week* 26(32) 8 August 1985, 'Information of the implementation by the Soviet Socialist Republics on the Treaty on the Non-Proliferation of Nuclear Weapons', NPT/C/CONF. 111/20, 26 August 1985.

¹⁷ 'British launch campaign saluting NPT benefits as review approaches', *Nucleonics Week* 25(37) 13 September 1984.

bilateral planning meetings in 1984 and 1985 to attempt to ensure that the debate at the Review Conference would not jeopardise the extended existence of the NPT.

The 1975 and 1980 NPT Review Conference—two worsening precedents¹⁸

1975 Review Conference

The first Review Conference of the Non-Proliferation Treaty was held in Geneva between 5–30 May 1975 to fulfil Article VIII of the NPT: 'with a view to assuring that the purpose of the preamble and provisions of the treaty are being realised'. Despite the fact that it prompted some twenty additional countries to sign and ratify the NPT, it was not a resounding success and revealed continuing deep divisions between the nuclear 'haves' and 'have-nots' over the purpose of the treaty.

Third World participants called for specific undertakings from the nuclear weapons states, including a comprehensive ban on all nuclear tests, above and below ground; a genuine reduction in the nuclear arsenals—a guarantee that nuclear weapons would not be used against any non-nuclear weapons state party to the treaty; equitable arrangements for safeguards; applicable to weapons states as well as non-weapon states and preferential treatment for treaty parties; especially Third World countries in international nuclear commerce. These demands were refused by the US, USSR and UK. In 1975 there were about 190 nuclear reactors in operation world-wide and the Stockholm International Peace Research Institute (SIPRI) calculated that about 85 tonnes of plutonium existed in stocks globally.¹⁹

The NWSs were preoccupied with devising more restrictive technical requirements for safeguards and efforts to reach agreement on a draft for a Final Declaration nearly failed as the NNWSs, led by Yugoslavia, berated the weapons states for failing to live up to both the Article IV and Article VI obligations. It was only the personal standing of the Swedish President of the Conference, Inga Thorsson, that enabled a last minute compromise to be reached, but even then the NWSs felt it was

¹⁸ Excellent reviews of both conferences are found, *inter alia*, in, W Epstein, 'Failure at the NPT Review Conference', *Bulletin of the Atomic Scientists*, September 1975, pp 46–8; 'The Second NPT Review Conference', Chapter 10 in *SIPRI Yearbook 1981*, pp 297–371; A Corradini, 'The Second Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons', *Disarmament* 3(3) 1980.

¹⁹ *Preventing Nuclear Weapon Proliferation: An Approach to the Non-Proliferation Treaty Review Conference*, Stockholm: SIPRI, 1975

too strongly worded and the NNWSs felt it was not nearly strong enough.²⁰ Although it papered over such fundamental differences, the Final Declaration did at least strongly reaffirm the participants' strong common interest in averting the further proliferation of nuclear weapons . . . their strong support for the Treaty, their continued dedication to its principles and objectives, and their commitment to implement fully and more effectively its provisions.

1980 Review Conference

The second NPT Review Conference took place in Geneva from 11 August–7 September 1980. The two major focuses were the superpower arms race and the development and promotion of nuclear energy. The Third World countries (all NNWSs) insisted that any final declaration include reference to the failure of NWSs to live up to their Article VI commitment 'to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament. The US, USSR and UK responded lamely that they had despite the fact that arms control negotiations had broken down, giving way to a further build up of new and yet more dangerous weapons systems. Any hope for a Comprehensive Test Ban Treaty (CTBT) or for ratification of the second strategic arms limitations agreement seemed remote, the Review Conference taking place just after the disrupted Moscow Olympics, itself following the Soviet intervention in Afghanistan in December 1979.

On Article IV questions of nuclear power technology conflict arose amongst the nuclear supplier countries. One group, including the US, wanted the Conference to recommend that all nuclear exports be made conditional on acceptance of full-scope safeguards. This was already required for US exports by the Nuclear Non-Proliferation Act of 1978 (USNNPA) and under Canadian and Australian law. Another group of suppliers, including the UK, West Germany, Italy and Japan, endorsed the concept of full-scope safeguards but was reluctant to have the conference recommend that such safeguards be a required condition of export.²¹

²⁰ D S Kramer, 'The nuclear non-proliferation treaty review conference', *CRS Report* 80-65, Washington DC, March 1980.

²¹ For a comprehensive review of the non-proliferation and nuclear technology transfer issues prevailing in the period prior to the 1980 NPT Review Conference see A Kapur, 'The nuclear spread: a Third World view', *Third World Quarterly* 2(1) January 1980

Against a background of the fact that in 1980, not one of the world's 244 nuclear power reactors was in an industrially developing nation party to the NPT, the Third World participants had little interest in the issue of full-scope safeguards for non-parties. They demanded preferential access to nuclear exports over non-NPT parties, since the opposite had in fact been the case in many instances. The atmosphere of the entire meeting was very acrimonious and despite being carried over for two extra days the countries that attended were unable to agree on a substantive Final Declaration.

The 1985 Review Conference

With the experience of the 1980 failure uppermost in many people's minds, there were understandable fears that the 1985 Review Conference could result in the collapse of the NPT. Increased superpower tension and the fact that since the NPT was signed in 1970 the total number of strategic nuclear weapons belonging to the nuclear weapons states had risen from 6,000 to 20,000 (to 50,000 warheads in total when all nuclear weapon systems were counted) meant that Article VI was bound to be a central sticking point at the conference.

The Third Review Conference took place from 27 August–20 September and opened with the statements of fifty-eight of the eighty-six parties and two signatories in attendance. As was expected, questions of compliance with Article VI, and the increased threat posed by the arms race, dominated the substance of the statements.

Article VI Compliance

Virtually all the delegates expressed the view that the weapons states were not adhering to the letter and spirit of Article VI. 'There certainly is broad agreement', said Ambassador Sularto Sutowardoyo of Indonesia, '... that the situation has considerably worsened, especially as regards the implementation, or non-implementation, to be more exact, of the Provisions of Article VI.'²² Ambassador Enrique Ter Horst of Venezuela agreed, 'We know that neither the Soviet Union, nor the United States, has complied with this (Article VI) obligation.'

Not surprisingly there appeared marked differences between nuclear weapons states and non-nuclear weapons states over the definition of adequate compliance with Article VI. 'We have met, and will continue to meet, our obligations under Article VI', declared the United States

²² All quotations taken directly from texts submitted to the Review Conference

Arms Control and Disarmament Agency Director, Kenneth Adelman. 'The Soviet Union', said Ambassador A M Petrosyants, head of the delegation of the USSR, 'is striving for a strict implementation by all states party to the treaty of the obligations they assumed under it.' Two months later both President Reagan and CPSU General Secretary Gorbachov reiterated the importance of the NPT to both states in their 19-21 November Summit communiqué. It was one of the few things they agreed upon, i.e. keeping the nuclear club exclusive.

Yet this view was not endorsed by other non-nuclear Western states; Sweden's Minister of Foreign Affairs, Lennart Bodstrom, stated: 'The implementation of the undertakings (under the NPT) by the non-nuclear weapons states has been adequate and satisfactory. Unfortunately, the same cannot be said of the Treaty commitments of nuclear weapons states.' In support of the US position, Mr Adelman cited the resumption of bilateral negotiations with the Soviet Union and the removal, in conjunction with other NATO nations, of 2,400 nuclear weapons from Europe since the last Review Conference. (It should be noted that the US delegate failed to point out that the withdrawn nuclear weapons, mostly Atomic Demolition Munitions (ADMs), were obsolete in any case, and that they were programmed to be replaced by an array of modern systems including nuclear-capable weapons.)

By contrast, a vast majority of the delegations considered these measures inadequate. 'While nuclear arsenals may not have been increased at the same rate quantitatively', declared Ambassador Jayantha Dhanapala of Sri Lanka, 'there has been a significant trend towards the qualitative improvements in nuclear arms, in no way contributing towards the cessation of the nuclear arms race as required by Article VI.'

A practical first step to nuclear disarmament was widely recognised to be the completion of a Comprehensive Test Ban Treaty (CTBT). Achievement of a CTBT has been a constant demand of non-nuclear countries at the United Nations disarmament forums and in the two previous NPT Review Conferences. Indeed, the UN has regularly passed resolutions since 1954 supporting the cessation of all nuclear warhead testing.²³ A CTBT would be a vital and technically achievable first step²⁴ to a global nuclear 'freeze' because it would constrain the

²³ 'Nuclear weapons testing', NPT/CONF III/PC II/INF 1. A paper prepared for the Preparatory Committee for the Third Review Conference of the Parties to the Treaty on the non-proliferation of nuclear weapons.

²⁴ J Leggett, 'Geoscience and the feasibility of cheating on nuclear test-ban treaties', *Modern Geology* 9(4) October 1985, pp 329-57.

superpower arms race—vertical proliferation—by restricting qualitative advancements in the nuclear arsenals of the nuclear weapons states. The nuclear weapons states use explosive testing as a fundamental stage in the development of new nuclear weapons designs. It would for example, hinder a key element, the 'Star Wars' Strategic Defense Initiative, since nuclear testing is required for its X-ray lasers and electromagnetic pulses.²⁵ A CTBT would be a very effective measure for controlling the spread of nuclear weapons to more countries. No state can rely, with any confidence, on its nuclear weapons capability until its nuclear explosive 'device' or warhead has been proved workable.

A CTBT, and particularly a moratorium on nuclear warhead testing could be concluded in a relatively short period of time if the political will existed. Negotiations for a CTBT were about 90 per cent complete when they were broken off in 1980, according to former British Foreign Secretary Dr David Owen, who was involved directly in the 1977–8 tripartite CTBT talks with the US and Soviet delegations. Perhaps more importantly there is an historical cause for optimism about the possibility of success for such an attempt to halt nuclear tests. In 1961 President Kennedy declared a unilateral ban on atmospheric testing and challenged the Soviet Union to follow suit. They did, and a few months later the Partial Test Ban Treaty was signed.

The case for a CTBT was put strongly in the opening session of the Third Review Conference: 'There exists a virtual consensus', said E Ahmed Esmet Abdel-Maguid of Egypt, 'that a total ban on nuclear weapons tests represents the first serious and tangible step towards ending the arms race.' This sentiment was repeated in the vast majority of the opening statements, as was an appeal that negotiations be resumed. 'Multilateral negotiations on a CTBT must start immediately without further delay', declared the Swedish Minister of Foreign Affairs, Lennart Bodström.

Most delegations expressed the view that a CTBT is required under the NPT, and is vital to a successful non-proliferation regime. 'The NPT

²⁵ G Allen Greb and W Heckrotte, 'The long history: the test ban debate', *Bulletin of the Atomic Scientists*, August/September 1983, pp 36–43; G E March and H E Dewitt, 'Weapons design policy impedes test ban', *Bulletin of the Atomic Scientists*, November, 1985, pp 10–13.

²⁶ R Scheer, 'Flaws peril pivotal "Star Wars" laser', *Los Angeles Times*, 23 September 1985 (6 page article); R Jeffrey Smith, 'Experts cast doubts on X-ray laser', *Science*, 8 November 1985, pp 646–8.

spells out clearly that a CTBT has to be sought', said Ambassador F J A Terwisscha Van Scheltinga of the Netherlands. A comprehensive test ban is 'an essential contribution to the reinforcement of the NPT', agreed Belgian Ambassador Jacques Raeymaechers. Several delegates declared their intention to seek concrete commitments from the nuclear weapons states on Article VI obligations. 'The purpose of this meeting is not to devise acceptable language to clothe our different perceptions until we reassemble five years hence', said Ambassador Jayantha Dhanapala of Sri Lanka. 'If this Review Conference is to be successful', agreed Lennart Bodstrom, 'the nuclear weapons states must give concrete evidence that they take seriously their obligations under Article VI.'

Ambassador Alfonso Garcia Robles of Mexico suggested that, if consensus on a final statement proved impossible to reach the states party could adopt one of several resolutions 'in conformity with the provisions of Rule 28 (of the Rules of Procedure)'. This meant calling for a vote, a precedent the nuclear states were not keen to see. In addition to this, prior to and during the NPT a number of events occurred to strengthen the demands for a CTBT.

The Soviet Union has frequently reaffirmed its support for the CTBT and had announced in July 1985 its readiness to agree to a moratorium on the testing of nuclear weapons effective from 6 August, to coincide with the fortieth anniversary of the dropping of the Atom Bomb on Hiroshima. Initially the moratorium was to last until the end of the year, but the Soviet Union proposed an indefinite extension were the US to join them in halting nuclear tests.

In the summer of 1984 a major breakthrough occurred when the US Senate voted 77 to 22 for Senators Kennedy and Matthias' resolution calling on President Reagan to resume negotiations for a CTBT. This was followed up by Senator Edward Kennedy and others in Congress in the putting forward of an amendment to the Defense Bill aimed at cutting off funding explosive nuclear testing, subject to a reciprocal halt by the Soviet Union. This would result in a *de facto* moratorium on testing.

During the NPT Review Conference the former UK Foreign Minister, Dr David Owen, now leader of the Social Democratic Party, attacked the excuse proffered by the governments of the US and UK that verification difficulties were the reason for not immediately resuming negotiations for a CTBT. Citing significant advances made in verification technology since the United States abandoned negotiations

on a CTBT, Dr Owen said, 'I have no doubt whatever of our capacity to verify almost all explosions.' The reason put forward by the nuclear weapons states on the inadvisability of a CTBT are a 'combination of misinformation and obfuscation'.

The European Parliament also passed a strongly worded resolution during the Conference calling for the US, UK and USSR to resume negotiations for a CTBT, as did a letter from Senator Kennedy and seventeen other US Senators. A vote was in the end not called for, but the final declaration was a stronger one than would have occurred had not a vote been threatened. The addition that resulted in the form of an amendment to the final document stated:

The Conference reiterated its conviction that the objectives of Article V remained unfulfilled and concluded that the nuclear weapon states should make greater efforts to ensure effective measures for the cessation of the nuclear arms race at an early date and expressed the hope for rapid progress in the US-USSR bilateral negotiations.

The Conference, except for certain states whose views are reflected in the following sub-paragraph, deeply regretted that a comprehensive multilateral Nuclear Test Ban Treaty banning all nuclear tests concluded so far and therefore, called on the nuclear weapon states party to the Treaty to resume trilateral negotiations in 1985 and called on all the nuclear weapon states to participate in the urgent negotiations and conclusion of such a Treaty as a matter of the highest priority in the Conference on Disarmament.

At the same time, the Conference noted that certain states party to the Treaty, while committed to the goal of an effectively verifiable comprehensive nuclear test ban treaty, considered deep and verifiable reductions in existing arsenals of nuclear weapons as the highest priority in the process of pursuing the objectives of Article VI.

'Certain states party' referred solely to the US and UK since the USSR had expressed its willingness to resume CTBT negotiations. (The US administration has since hinted that Turkey also expressed their reservations about the call for a CTBT, at least in the form the final document mandated.)

Although demands for a CTBT had been a constant feature of the previous two NPT Review Conferences, the Third Review Conference differed from its predecessors in that the demands of industrial developing countries for improved access to nuclear technology moved from the centre of discussions as had previously been the case, to the periphery. This almost certainly reflects the declining importance put upon nuclear power as an energy source by the vast majority of these

countries.²⁷ Apart from the ritual support for exchange of nuclear technology in the conference documentation it was only Egypt with its call for a 'financial assistance fund' which tried to breath life into this otherwise moribund issue. Even that modest effort, it must be said, sank without trace.

Such a reaction is, on reflection, hardly surprising. Firstly, the vast majority of the Third World signatories will never have any significant use for nuclear power because the population distribution and density of the industrial infrastructure would never demand the capital investment in complex electrical grid systems and the high power load associated with such a system. Secondly, and most importantly, nuclear power has failed to live up to its much trumpeted technological and economic promise, due to a number of factors ranging from over-optimism regarding the solution of operational problems to the failure to convince the public world-wide that nuclear waste can be safely managed or disposed of without environmental damage.

As the electricity industry magazine *Electrical Review International* put it in September 1984, with regard to the decision over whether states should decide to develop or import nuclear technology:

Experience has shown that if the only reason for obtaining nuclear technology is to generate power then the answer is no. Unless a country gets to grips with the nuclear fuel cycle (which the suppliers have tried so hard to prevent) then a nuclear programme is a liability which leads to dependence on the suppliers. But getting to grips with the fuel cycle is an enormously expensive undertaking. Only nations with a good industrial technological and economic base stand any chance of success.

In 1974, for example, the International Atomic Energy Agency (IAEA) projected that by the year 2000 installed nuclear capacity would reach 5,000 gigawatts. Yet in September 1985 the IAEA put on record at the NPT Review Conference that it is now expected that the figure will be only 500 gigawatts, one-tenth of their 1974 prediction. Furthermore, although the IAEA expects that 20 per cent of the world's electricity will come from nuclear power stations by 1990, most of the increase will be in the industrially developed countries. In 1984 only two new units totalling 800 megawatts were connected in developing countries compared with thirty-two in industrialised countries.

²⁷ Despite its role as a global promotional agency for the use of nuclear energy, even the International Atomic Energy Agency (IAEA) did not really present a convincing argument for expanding nuclear energy, except in a small number of countries. See 'Background paper on the activities of the IAEA relevant to Article IV of the NPT', NPT/CONF III/10, June 1985.

Small wonder that the IAEA in a transparent understatement expressed the view at the conference that 'The nuclear power trends in developing countries remained very uncertain.' These uncertainties will be discussed at the Peaceful Uses of Nuclear Energy (PUNE) conference sponsored by the UN and planned for early 1987. The same is true in Eastern Europe where the COMECON bloc's Department of Nuclear Energy has acknowledged that the ambitious nuclear energy programme of the Soviet Union and its East European partners has had to be scaled down because of 'technical difficulties'.²⁸ These more realistic and substantially reduced expectations of the more likely *future* role of nuclear power did not mean however that there was a lack of interesting statements and debates at the Conference about the *present* use of nuclear power. These suggestions centred on ways in which the world could improve the potential for preventing both its clandestine use in the production of nuclear weapons and how changes in the present nuclear fuel cycle could play a central role in achieving disarmament.

The Nordic nations of Denmark, Finland, Iceland, Norway and Sweden took the lead in efforts to halt the spread of the bomb to new countries by demanding, *inter alia*, that: the full-scope IAEA safeguards be applied by NPT signatory states to all their present and future nuclear activities and should be extended to non-signatories of the Treaty; that this be reinforced by insistence on full scope safeguards by all supplier states as a minimum condition for exports of relevant nuclear material, equipment and technology. More contentiously and of more fundamental importance to halting the most dangerous form of proliferation ie the nuclear arms build-up of the present nuclear nations, the five Nordic nations called for 'Steps towards separation of civil and military nuclear sectors in the nuclear weapon states parties to the Treaty, with application of IAEA safeguards in the civilian nuclear sector in the countries', and 'cessation of the production of fissionable material for weapon purposes.' The first three of these demands were also supported by written submissions from Australia, Canada, Ireland, the Netherlands and New Zealand and ended up in the final consensus statement of the NPT.

The most radical of the demands emerging from the NPT was the halt to the production of fissionable material for weapons purposes—the so called 'fissile material cut-off'. This initiative was supported by a wide

²⁸ *Financial Times* (London) 6 September 1985.

range of non-governmental organisations present at the Review Conference—most especially by the Federation of American Scientists.²⁹ This idea will inevitably gain credence between now and the next Review Conference in 1990. This will be particularly true in Europe where concern is growing about the possible emergence of a European nuclear force. It is thought that this could use plutonium extracted from re-processed fast reactor fuel or the so-called 'blanket' surrounding the core fuel, perhaps from the proposed Dounreay plant in Scotland. What makes this likely is the development of a pan-European fast breeder reactor programme. The French opened their 1,200 Mw Super-Phoenix fast breeder plant in September, in the middle of the Review Conference, and a number of senior French officials have publicly stated that it will have a military role.

The final result of the Third Review Conference was far more constructive than many had expected and much less acrimonious than its predecessor in 1980. A breakdown was averted despite disputes over attempted embargoes on Israel and South Africa; a quarrel between Iraq and Iran over the former's purported bombing of the latter's nuclear construction site at Bushehr; and the long-standing issue of implementation of a CTBT.³⁰

Nevertheless, concern still remains about the future of the NPT. Even if questions about access to nuclear power have become less prominent the signatories will still be looking for improvements under Article VI before the NPT comes up for renegotiation in 1995.³¹ Such longer term concerns were voiced at the Third Review Conference when several states expressed fears in light of the difficulties in implementing Article VI, over the future viability of the Treaty regime. 'We need to have a successful Third and Fourth Review Conference to ensure the right decision in 1995', said Ambassador Jayantha Dhanapala of Sri Lanka, 'If we fail, the prospects for 1995 will be bleak. The time for constructive decisions is now.'

'The survival of the NPT itself', agreed Ambassador Nissai Vejajiva of Thailand, 'and perhaps the entire non-proliferation regime may

²⁹ F von Hippel, D H Albright, B G Levi, 'Stopping the production of fissile materials for weapons', *Scientific American* 253(3) September 1985, pp 40-7.

³⁰ I Smart, 'Breakdown of the NPT averted', *Nuclear Engineering International*: J Simpson, 'A new foundation for the NPT?', *ADIU Report* 7(6) November-December 1980, pp 6-9.

³¹ Many of these concerns were foreshadowed at a conference in June 1985, sponsored by Sadruddin Aga Khan's Groupe de Bellerive, based in Geneva. The papers are collected in *Nuclear War, Nuclear Proliferation and the Consequences*, Oxford: Clarendon Press, 1985.

depend on the ability of the nuclear weapons states to thoroughly convince the remaining signatories of the Treaty that they will adopt concrete and significant measures to end the arms race and commence nuclear disarmament.'

Women: a decade is time enough

'The United Nations Decade for Women: Equality, Development and Peace', has run its official course. Its three milestones have been the Conference of International Women's Year in Mexico City in 1975, which inaugurated the Decade, the mid-Decade Review Conference in Copenhagen in 1980, and the World Conference in Nairobi in 1985 to appraise the Decade's achievements.

Some eighteen thousand women, coming from every region of the world, speaking for their governments, their organisations, themselves, assembled in Kenya last summer for that closing event: they were nearly three times the number that had started it all off in Mexico. A microcosm of womankind, they embody the degree to which those past ten years, viewed in retrospect, have made a difference to the global landscape.

All that happened on the way from Mexico City to Nairobi has been instructive, much of it unpredictable. It was, for instance, no part of any preconceived design that a particular goal of the Decade should determine the thrust of each of the three conferences. And yet this is how it turned out. The core issue of Mexico City was Equality; of Copenhagen, Development; of Nairobi, Peace. This is not surprising: for the Decade, the formal framework of the contemporary feminist revolution, existed, not in Wonderland, but in the very real world. It was inevitably conditioned by the climate of that world.

The mood and temper of the early 1970s showed confidence in the capacity of multilateral processes to direct change and to advance the human condition. The political will which created a Decade for Women with the United Nations as its cornerstone was a measure of that confidence. The Charter of the UN had defined its role as custodian and arbiter of international morality, pledged to uphold '... faith in the equal rights of men and women and of nations large and small'. It had a splendid thirty-year history of activism in the transition of colonial nations and peoples to sovereign independence and self-determination. The decolonisation of the subordinate sex was a natural corollary of its mandate and its track record.

The conference in Mexico City built on the accomplishments of

various bodies of the UN, particularly of the Commission on the Status of Women which had been the catalyst for the adoption in 1967 by the UN General Assembly of a Declaration on the Elimination of all Forms of Discrimination against Women. Affirming that '... discrimination against women is incompatible with human dignity, ...' the Declaration laid down the philosophical criteria by which nations could move from their prevailing stage of systemic sexual discrimination to one of sexual egalitarianism.

Equality as a moral imperative was a dominant theme in the plenary and the private, the debating and the drafting sessions of the Mexico intergovernmental meeting and its parallel non-governmental Tribune. It found expression in the Declaration of Mexico on the Equality of Women and their Contribution to Development and Peace, the product of the developing countries mobilised through the Group of 77. The Declaration's paragraphs on 'equality' received near universal consent, in contrast to those on 'development and peace' which proved too contentious to evoke full and enthusiastic endorsement. It was less difficult to rally North and South, East and West around the proposition, as stated in the Declaration, that '... women of the entire world ... share the painful experience of receiving or having received unequal treatment ...' If there was an unmistakable air of exhilaration in Mexico City in 1975, it emanated from the fact that for the first time, a global assembly of governments and peoples, coming together for that prime purpose, placed their stamp of approval on women's entitlement to equality with men, and committed themselves to honour that entitlement.

The next four years saw member-states of the UN engaged in the daunting exercise of reconciling diverse constitutions, statutory, customary and religious laws, finally agreeing in 1979 on a Convention on the Elimination of All Forms of Discrimination against Women. The Convention refuted the ideology of biologically determined spheres of activity which assumed a superior public domain that was male, and an inferior domestic domain that was female. Its provisions spelt out the comprehensive range of women's political, economic, legal and social rights: it aimed to redress by force of law the discriminatory practices of the past, and actively to promote equality for the future.

Copenhagen in 1980 provided the occasion for the ceremonial acknowledgment of this landmark instrument in international standard-setting and lawmaking. By 1985 the Convention had received the

accessions or ratifications of eighty countries now legally bound by treaty to give substance to the Decade's first objective.

This is an irreversible victory of the Decade, a cause for celebration. But it must be sober celebration: for few illusions anywhere exist about the ability of constitutional amendments and legal reforms to alter attitudes or transform power structures: or, conversely, about the ability of liberal rhetoric to obscure illiberal reality.

Although the vocabulary of sexism was markedly more muted in 1985 than it had been in earlier years, sexism itself was in fact alive and well, merely sidestepping, if not backtracking, to more elusive ground; but women, after ten years of meeting and comparing notes were that much more savvy.

Thus, for example, they were less disposed to take at face value the evidence of governments' serious intent to equalise women's status by establishing Ministries, Commissions, Councils, Bureaus, etc. Surveys of those mechanisms have revealed a recurring pattern of limited charters and even more limited budgetary resources. A telling feature is location: too often in both developed and developing countries such machinery has been found as far removed as it could possibly be from the centre of real authority in the public apparatus.

Women, understandably, question whether the phenomenon they observe is not one of institutionalised tokenism, an offshoot of obstinate gender biases. The workplace gives even gloomier indications of such biases. Despite the professions of just about every government on the issue of equal economic and employment opportunities for the sexes, facts speak otherwise.

The massive influx of women into paid labour during the past twenty years carries fundamental structural, social, and economic implications. It also highlights the persistence of sex disparities, for this considerable female labour force, now 30 per cent of the world's total is characterised by the highest rates of unemployment, underemployment, and occupational segregation in the least skilled, least responsible, lowest paid categories of industry, agriculture and the service sector. The widespread, in some cases growing use of temporary, seasonal and home labour of women further underlines their vulnerability and disadvantaged situation.

The mid-1980s also register with alarm moves to dismantle affirmative policies which had in some countries been applied effectively to redress historic sexual inequalities in employment. The

Decade received a particularly unkind cut from the United Nations itself, which in 1985—also the year of the fortieth anniversary of its founding—documented the shape of its staff establishment as one distinguished by a largely female low status base and an apex exclusively composed of men. The ideology of female domesticity has been so well manipulated by a tightly bonded male bureaucracy as to make the United Nations its Decade's most visible monument to patriarchy at work.

In fact, the past ten years have made only slight difference to that stereotypical regard of women as persons whose productive roles are destined to be forever circumscribed by their reproductive roles. Hence the resurgence in the mid-1980s of anti-abortion policies aggressively pushed by a pro-natalist Right which in some instances receives the blessing, and more, of Church and State. Its message comes clothed in various doctrinal sophistries, but is quite clear, that is, to concede to women the free exercise of their rights over their bodies would be to relinquish the most strategic fortress of male superiority, therefore it is inconceivable.

Women at Nairobi took careful note of continuing evasions of the equity ethic, and devious manoeuvres to deny them personal autonomy, but they spent relatively little time there confronting them. They invested a great deal more of their resources seeking a redefinition of their goals, one which draws more logic and force from the meaning of 'development' and the meaning of 'peace'. By 1985, for millions of women, these had become the other words for 'equality'.

Early in the Decade the equity principle had been made even more persuasive by its linkage with the utility principle. Women had been a missing link in development, now they were being found: they could actually be a valuable resource, indeed were half, or more, of a nation's human resources, no longer to be wasted. This perception of women as a potential asset was of special interest to developing nations. They ensured that it was emphasised in the deliberations and conclusions of the Mexico Conference. The text of the Declaration stated it in these terms: 'The issue of inequality as it affects the vast majority of the women of the world is closely linked with the problem of underdevelopment, which exists as a result not only of unsuitable internal structures, but also of a profoundly unjust world economic system . . .'. The Declaration continued, 'The full and complete development of any country requires the maximum participation of women as well as of men in all fields: the underutilisation of the

potential of approximately half of the world's population is a serious obstacle to social and economic development.'

North and South differed on the causes of underdevelopment, but not on the subject of women in that phenomenon. So planners and managers from international, regional and national agencies set about initiating processes, and devising projects—with a frequent focus on 'income generation'—directed toward women's integration into socio-economic development. The prospect of steering women from the margin to the mainstream was as exciting to some would-be developers as to female recipients of such policies and programmes. 'Women in Development' became the Decade's overnight catchphrase, a seductive one, which for a time, at least, could evade the question of what kind of development women were to be drawn into.

Development theory and practice in the early 1970s were undergoing searching analysis by experts, predominantly male, who were dismayed at the failure of current strategies to achieve and sustain in the Third World the socio-economic advances so confidently projected in the 1960s. In 1970 the Danish economist, Esther Boserup, injected into that discussion a cautionary feminist critique which concluded that the growth models being applied to countries of the South were, perversely, resulting in the relative disadvantage of women. The Decade became a central agent for probing and expanding that thesis.

Western command of research and communication in Mexico City had been conspicuous, was often distorting, and was openly resented. The element which was missing at that encounter was the experience of Third World women documented and presented with the scope and authenticity appropriate for the majority of the world's female population.

The United Nations contributed significantly towards adjusting that imbalance. Mandates by the UN General Assembly and its Economic and Social Council to the Mid-Decade secretariat, its regional commissions and agencies, required precise and comprehensive information about women primarily in the areas of employment, education and health. Between 1979 and 1980, preparatory to the Copenhagen Conference, regional conferences in France, Venezuela, Syria, Zambia, New Delhi, in addition to a meeting of non-aligned countries in Iraq, triggered off unprecedented data collection and microstudies by governmental, intergovernmental and independent researchers. How Third World women spent their working lives became the focus of deeper inquiry and fuller understanding by those who, in

increasing numbers, were themselves female, and Third World. Their findings flowed into a swelling stream of feminist scholarship: they entered as well into the global developmental debate, which, at the mid-Decade, approached tension point.

Nineteen eighty was the year of the United Nations Special Conference on Development: it was also the beginning of the Third UN Development Decade. Both related to a responsibility of highest priority on the agenda of the international community, which was required for the third time to construct a paradigm of development which could lift the world's masses from a condition of bare survival to a decent level of existence by the end of the century.

But the political environment in which this was proceeding could scarcely have been worse. An effective development strategy for the 1980s and beyond had been premised on the expectation—strongly held by developing countries in 1974–5—that North and South could negotiate a New International Order. What was sought in essence was an adjustment in global economic power-relationships that could assure adequate resources for the development needs of the South. But the prospect of such an agreement steadily receded in the wake of an energy crisis, a global recession and mounting Third World indebtedness. There was visible wavering of the will to apply multilateral approaches to global problems: mistrust and pessimism characterised the North–South dialogue, soured as well by a failed UNCTAD V of 1979, when the United Nations Conference on Trade and Development had tried, without result, to rationalise crucial global trade and economic imbalances.

Women carried their vital concerns to that complex discourse: unlike the circumstances of previous development decades, when they had barely made it into the footnotes, this time round they would insist on being *bona fide* partners in development, acknowledged and participating in policymaking and programming: moreover such developmental policies as were prescribed should make sense in their daily lives. It also went almost without saying that the resources necessary for achieving developmental objectives should be attained.

These concerns had already been articulated in a number of ways in Mexico City; but by the mid-Decade they had acquired new urgency and new dimensions, as a consequence of the worsening economic crisis, the erosion of multilateral goodwill, and women's enhanced knowledge of their productive functions.

For example, in agriculture, the accumulating body of microstudies

with relevant sex-specific data which was coming out of Asia, Africa and Latin America confirmed the increasing marginalisation of the female subsistence farmer, a pivotal person in nearly all rural economies, the main food producer in many, most notably Africa. In response to the imperatives of international capitalist enterprise, export-oriented cash crops assumed pre-eminence over production for domestic consumption, to the detriment of women. Excluded from the resources of land, capital and technology, their status declined to previously unknown levels of sex-differentiation, deprivation and lowered productivity.

By the mid-Decade, African women analysts were sounding a most timely alarm: they pointed out with compelling data that rural underdevelopment most sharply manifested in the deteriorating condition of the female farmer could have grave consequences for national food security.

In the industrial sector, women's research on Asia, Latin America and the Caribbean was illuminating. They documented the structural transformation of the international workforce, as transnational corporations relocated their manufacturing plants to regions where labour was abundant, cheap and overwhelmingly female, comprising some 80 per cent of the international proletariat: it was unorganised labour, and uniquely vulnerable to health hazards, low skills, low wage-levels, job insecurity and sexual harassment. Such patterns of female labour use, or misuse, within national and international systems stem from entrenched perceptions of women as marginal workers: the micro mirrors the macro, and *vice versa*: hence, a comparable sexual division of labour within the household, a root factor in women's inability to participate equally in all societal processes.

What had largely been assumptions in Mexico City about development, intuitively advanced, was by the mid-Decade substance built on solid data, which women used with assurance at the Copenhagen Conference to demand and to receive support for enlarged public roles. Participating governments adopted Resolutions on Women in Agriculture and Rural Areas, Women and the New International Order, and the New International Development Strategy. These provided leverage for representation to be made to the special UN session on Development which was held a month after Copenhagen, and there women achieved, for the first time, international endorsement of their explicit and integral incorporation into all sectors of future developmental strategies.

Like the Convention on Equality this was an irreversible ideological and political gain, not to be belittled, but by no means the end of the matter. The next relevant question was, what kind of development?

The mid-Decade helped to prepare women to find an answer. In Copenhagen developmental practitioners and theoreticians had seized the opportunity to get together in the non-governmental Forum and to exchange experience. Despite, perhaps because of, the marginal nature and welfare-orientation of so many 'women-in-development' programmes, despite the non-supportive macro and macho environment in which they operated, there were useful lessons to be learnt. For example, the insights gained into the capacity of the poorest women to mobilise and maximise scanty resources and with that capacity came talents for leadership waiting to be tapped; the need and possibilities of breaking social barriers to open up partnerships of elite and grassroots women: the participatory, non-authoritarian structures in which women worked best.

Networks coalesced around these and other issues and their interaction intensified noticeably in the second half of the Decade, appropriately so, as the 1980s witnesses the developing world plunge into multiple socio-economic crises of unprecedented proportions. National resources, hostage to escalating foreign debt, seemed inadequate to resolve problems of unemployment, hunger, environmental decline and myriad forms of social malaise; the West retreated from multilateralism and into inward-looking fiscal conservatism; structural adjustment policies designed by international financial institutions to guarantee debt repayments bore most severely on the poorest households in the Third World which were increasingly female-headed.

The crisis of survival challenged women to pull their networks more tightly together and to begin to synthesise alternative visions of development. DAWN (Development Alternatives with Women for a New Era) was the statement of one such vision. It was presented to Nairobi Forum '85 by an informal open-ended group of Third World women researchers, activists and policymakers, and became the centre-piece of much of the discussion on development which took place. It aimed at producing a theology and methodology for change, one without gender bias, one which could redefine and reconstruct the macro concepts and modalities which determine development, for example, capital, labour, technology. Women see themselves, empowered equally with men, able to humanise and democratise such processes.

Primarily a vision of the developing world, more and more women of the industrial West have found in it a common interest, for they have not been immune from the effects of economic crises, and for growing numbers, the 'feminisation of poverty' is a reality. They joined Third World women in calculating and questioning the economics and the politics of military budgets which in the 1980s reached proportions that defy comprehension. Where is the rationality, not to mention humanity, as the DAWN statement expressed it, 'in a situation where nuclear missiles can go from Western Europe to Moscow in six minutes, while the average woman in Africa must walk several hours to fetch water for her family?'

If the issue of guns-and-butter has meaning for anyone, it has meaning for women. Not surprisingly, it was the Decade's third goal, that of peace, which brought out the most determined feminist vanguard and gave the global movement its cutting-edge. This had not been written into its original script. For during the exchanges between governments at the United Nations, preceding International Women's Year, peace became part of the Decade's triple themes, with the more or less clear understanding that women would not take it too seriously; they would confine themselves to 'women's issues': on political matters, like the arms race or regional wars, which were men's business, they would naturally hold their peace.

Women of developing countries, and men, confounded these expectations. In Mexico, in 1975, they made the political situation in Vietnam, Panama, (the then) Rhodesia, South Africa, the Middle East, Chile integral to their analyses of female status in those sensitive spots. Further, they identified imperialism, colonialism, neo-colonialism, foreign domination, racism, Zionism as forces which generate conflict and simultaneously obstruct women's advancement. This conviction found its way into the documents of Mexico—subsequently also into those of Copenhagen—and outraged the Western world, male and female. The international women's movement was fractured before it had even properly taken shape.

The willingness of women from the Third World to collaborate with their countrymen against the many '-isms' which had impact on their lives was seen by the West as a betrayal of the transcendental -ism, feminism. The inference was that they had been 'conned' by the (male) enemy into espousing the irrelevant and unseemly; in contrast, their Western sisters were strong-minded enough to resist any such manipulation. Given, however, the might of the patriarchal political

and media establishments of the West, with their ideological and strategic interests also to defend, it is at least arguable that Western women who excluded political issues from their agenda, were no less vulnerable to male persuasiveness than Third World women who included them in theirs.

By 1985, in Nairobi, there was markedly more convergence of war and peace concerns of women than there had been in Mexico City or in Copenhagen. Not that women of the South had recanted, but rather that Western women had come closer towards acknowledging the primacy of the political.

The course of change had been both theoretical and empirical. Feminist thinking has been extended by the cultural, racial and national diversity of the female experience, both historical and contemporary, on which it draws for its rationale. A growing consensus rejects the notion of artificially divided private and public spheres of action, scrutinises the many faces of male power, and traces the dialectical linkage between domestic and global violence. The concept of 'politicising' is demystified, individual liberation fuses with the collective: 'What is most personal becomes also most political'. Women of the Southern continents know this better than most. In the case of North America and Europe, peace and disarmament movements with their long record of women's involvement, have since the end of World War II retained their vigilance in the face of a superpower arms race which threatens one day to propel nuclear rivalry even into space.

In the Third World, which is the arena of today's wars, it is the down-to-earth horrors of daily death and devastation that drive women of the Middle East, Southern Africa, Asia, Central America, to seek, above all, peace. Without an end to conflict in these troubled regions, equality and development with employment, health, education, shelter for women and men alike are unattainable, and the often proclaimed indivisibility of the Decade's goals remains empty rhetoric.

The logic of this view, a strongly-held Third World view, has compelled respect. Its influence on European and North American peace movements has been a factor in shifting them to some degree, from minimalist and often isolationist stances, towards wider concerns.

Women from North and South, East and West, working in many instances out of inter-faith networks have been vital to this process. They gave to the Nairobi assembly a moral lift which was most strongly felt in the Peace Tent of the non-governmental Forum '85, the venue of its most intense political debates. No antagonisms were too ancient or

bitter to be aired there, each receiving its equal time. Women coming from every side of every peace-threatening issue on the international agenda entered and listened to the other side in an environment designed with care, not to aggravate, but to defuse conflict. By wide acclaim that singular place became 'the heart and conscience' of Forum '85, an enduring symbol of the Decade's end, a unique creation of women.

Women's passionate and compassionate involvement at Forum '85 in every political flashpoint in the world has profound significance for the international feminist movement. The 14,000 women present there, for the most part, ignored the solemn injunctions issued to them throughout the Decade by male establishments instructing them to stick to their own affairs. They chose, however, to decide that not only equality and development but peace, with its dark side of war, were also their affairs. And, above all, at a time when militarism and its main ally, racism, had never been more life-threatening. The issue for women gathered in the continent of Africa in 1985 was not which war and peace item should be addressed or where it should be debated, whether in the United Nations or elsewhere. The issue for women was their unqualified right to be part of the analyses and part of the resolutions of regional and global conflicts, indeed of all that shapes the human condition. And enough of tokenism. The fact that they seized the Decade's end so vigorously in Nairobi, and so extensively explored its tabooed issues outside governmental and inter-governmental structures is a measure of that vast reservoir of people's energy and commitment charged, and ready to mobilise, outside such structures, if need be.

Forum '85 was the Decade's final liberating act of women's collective defiance. It did not carry them into the labyrinthine corridors of power: that takes time. But a Decade has been time enough for women to chart the route and to be firmly on their way.

Third World cooperation on Pacific marine mineral resources

Within the last decade, increased marine awareness on the part of many of the world's developing nations has resulted in the widespread unilateral extensions of national jurisdiction up to 200 miles and more from shore. This world sea enclosure movement has transferred one-third of former high seas, and most known ocean resources and related activities to the control of individual states. Much of the southern and western Pacific is encompassed by these extended jurisdictional claims (Figure 1), and in the South China Sea, for example, there is almost no marine area left unclaimed and many areas where claims overlap (Figure 2).

In the 200 miles exclusive economic zone (EEZ), the United Nations Convention on the Law of the Sea (UNCLOS) gives nations sovereign rights over, among others, the mineral resources on and beneath the seabed. It also gives nations jurisdiction over marine scientific research and the protection and preservation of the marine environment.¹ Increased marine awareness and the extended maritime jurisdiction movement were stimulated by a marked increase in scientific knowledge, the rapid advance of exploitation technology and the expectation of enlarged resource bases. In the Pacific basin and on its margins these expectations are not without foundation. Known resources within Third World countries' EEZs include petroleum, manganese nodules, cobalt-rich manganese crusts, and polymetallic sulphide deposits.

Present offshore production of petroleum in the Pacific region excluding the United States, averages about 1.6 million barrels of oil and 2.6 billion cubic feet of gas per day (Table 1). Considerable petroleum potential remains to be discovered on the continental shelves of the major land masses bordering the Pacific, in deeper water on the continental slope and rises of the marginal basins surrounding the

¹ United Nations, 'Convention on the Law of the Sea', A/CONF.62/122, 7 October 1982, Article 56 (rights, jurisdiction and duties of the coastal state in the exclusive economic zone).

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Figure 1: Marine Mineral and Petroleum Possibilities in the Pacific Region

base from Martyn Bramwell (ed), *The Rand McNally Atlas of the Oceans*, 'Pacific: Mineral Resources', New York: Rand McNally and Company, 1977, p. 164; distribution of cobalt concentrations and of hydrothermal activity and sulphide occurrences from Labach, see note 5, Figs. 2 and 8; schematic outline of exclusive economic zones (EEZs) added by author.

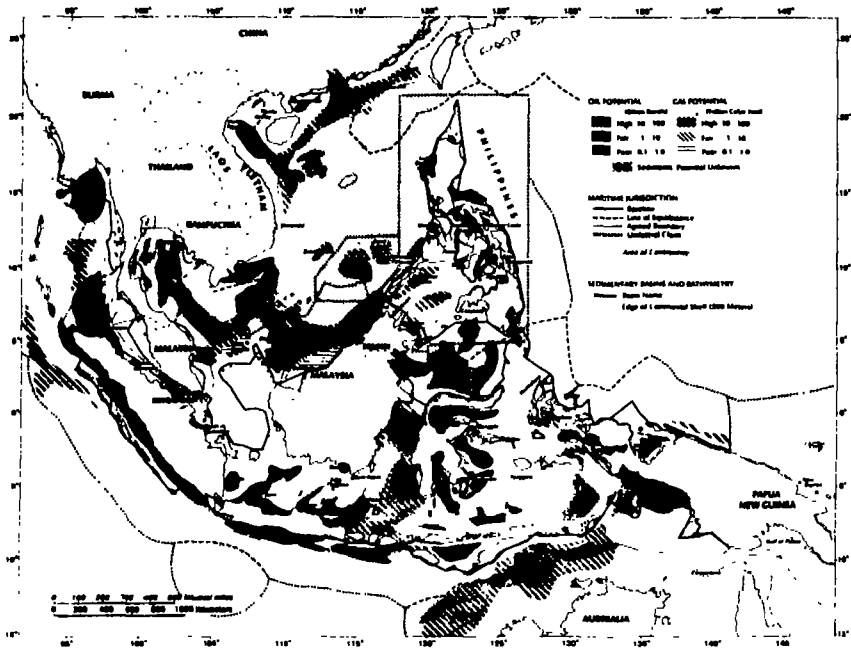


Figure 2: The South China Sea: extended maritime jurisdiction and petroleum potential

From Mark J Valencia, 'Oil and gas potential, overlapping claims, and political relations', in George Kent and Mark J Valencia (eds), *Marine Policy in Southeast Asia*. Berkeley: University of California Press, 1985, Fig. 5.4.

Pacific, and perhaps behind the small island arcs in the western and southwestern Pacific. Further potential exists in pre-Tertiary sediments underlying already productive basins, and in gas hydrates (gas and water in the solid state) in sediments in deep water. These gas hydrates may also form an impermeable seal capping free gas and oil. As an example of the worth of this potential, the estimated total gross value of undiscovered oil and gas resources in Southeast Asia ranges from

1.1–11.0 trillion US dollars.² In Northeast Asia it is between 0.4 and 4 trillion, and in Oceania it is at least 0.5 to 6 trillion dollars. This estimate for Oceania does not include resources expected in Tonga, Vanuatu, the Solomon Islands, and most important, Papua New Guinea³ which could be worth as much as another trillion dollars. By comparison, the US Pacific area including Alaska might harbour 0.3 trillion dollars worth of oil and gas.⁴

Of more recent interest are cobalt-rich manganese crusts reported from seamounts in the Hawaiian and Line Islands at depths between 1,100 and 2,600 m on seamounts. The thickness of crusts reaches 7 to 9 centimetres and averages 2.5 centimetres. Crusts contain a mean of 25 per cent manganese, 0.8 per cent cobalt, 0.5 per cent nickel, 0.07 per cent copper and 0.0005 per cent platinum. A seamount may contain between 2 and 4 million tons of crust approximating the amount of ore required for a year's production of a commercial deep-sea mine. The concentration of cobalt is about 1 per cent—greater than cobalt ores mined on land—and the current market price of cobalt (\$27.56/kg), is about five times that of nickel (\$4.98/kg) and fifteen times that of copper (\$1.77/kg).

Total values of cobalt, nickel, copper and molybdenum in Mid-Pacific mountains and Line Islands crusts from water depths less than 2,600 m are \$170 to \$202 per wet ton of crust or \$340 to \$808 million worth of wet ore per deposit, not counting platinum.⁵ The EEZs around the Hawaiian islands and around Johnston and Palmyra islands contain an estimated 10 million tons of cobalt, 6 million tons of nickel, 1 million tons of copper and 300 million tons of manganese. A prime mine site might contain \$165/metric ton of cobalt, \$37.5/ton of nickel, \$1.32/ton of copper and \$43.57/ton of manganese for a total of \$247.74/ton of ore, or perhaps \$4 of gross contained metal value per square metre. More deposits have recently been found in the western

² Mark J Valencia and James B Marsh, 'Southeast Asia, extended maritime jurisdiction and development,' *Marine Resource Economics* (forthcoming); J Albers *et al.*, 'Summary Petroleum and Selected Mineral Statistics for 120 Countries, including Offshore Areas', *US Geological Survey Professional Paper* 817, Washington DC, US Government Printing Office, 1973; at US\$28.00 per barrel of oil and US\$2.50 per 1000 cubic feet of gas.

³ United Nations ESCAP, 'Symposium on petroleum potential in island arcs, small ocean basins, submerged margins and related areas', *CCOPISOPAC Technical Bulletin* No 3, New Zealand Department of Scientific and Industrial Research, Wellington, 1980.

⁴ Robert W Rowland, Margaret R Goud and Bonnie A McGregor, 'The US exclusive economic zone—a summary of its geology, exploration, and resource potential', *US Geological Survey Circular* 912.

⁵ Peter Halbach, 'Deep-sea metallic deposits', *Ocean Management* (9) 1984, pp 35–60.

Table 1: Daily offshore average oil and gas production in the Pacific region

Country	Production	
	Oil 1984 (10 ³ BOPD) ^a	Gas 1983 (10 ⁶ CFPD) ^b
LATIN AMERICA		
Chile	23.00	
Peru	26.00	
FAR EAST		
Indonesia	543.25	657.00
Malaysia	439.42	722.00
Australia	420.00	
Brunei	116.00	900.00
Philippines	10.55	
New Zealand	10.08	
Thailand	8.00	250.00
Japan	4.00	27.00
China	2.00	
Total	1602.30	2556.00

^a *Offshore*, May 1985, p 114; excluding US.

^b E M Borgese and N Ginsburg, Appendix D: Tables, Nonliving Resources in *Ocean Yearbook 5*, E M Borgese and N Ginsburg (eds), Chicago: University of Chicago Press, 1985, Table 4D, p 496

Pacific in the EEZs of the Marshall Islands, the Northern Mariana Islands, and Guam.⁶

Marine polymetallic sulphide deposits are located at 2,000 to 4,000 m around high-temperature hydrothermal vents in seafloor spreading centres or mid-ocean rift zones. Known locations include the Galapagos Ridge, East Pacific Rise, Gorda-Juan de Fuca Ridge system, and the Guaymas Basin (Figure 1). Recently, deposits have been found off Tonga, in the Lau and North Fiji Basins and in the Bismarck Sea; more are expected.⁷ Minerals of commercial interest include iron, lead, zinc, copper, silver, gold, manganese, platinum, and vanadium.⁸ Some

⁶ Allen Clark, Charles Johnson and Pauline Chinn, 'Assessment of cobalt-rich manganese crusts in the Hawaiian, Johnston and Palmyra Islands' exclusive economic zones', *Natural Resources Forum* (8) 1984, pp 163-74; *Honolulu Advertiser*, 12 October 1985, Asia and the Pacific, p B-1

⁷ David Cronan, 'Metalliferous sediments in the CCOP/SOPAC region of the southwest Pacific, with particular reference to geochemical exploration for the deposits', *CCOP/SOPAC Technical Bulletin* (4) 1983, p 50; *Honolulu Advertiser*, 7 May 1984, Pacific Island Notes, p A6.

⁸ National Advisory Committee on Oceans and Atmosphere (NACOA), 'Marine minerals: an alternative mineral supply', Washington DC, July 1983.

deposits contain up to 21 per cent copper, 50 per cent zinc and 45 per cent iron.

Manganese nodules containing nickel, copper, cobalt and manganese had long been considered the prime economic mineral resource in the deep sea.⁹ There are about 10 trillion tons of nodules in the Pacific. However, only a small portion of these deposits contain the economic cutoff percentage of 2 per cent nickel plus copper plus cobalt and are found in concentrations greater than 10 kg per m² over an area sufficient for twenty years production. The highest concentration of nodules (more than 8 kg/m²) with the highest nickel plus copper (at least 1 per cent combined content) are found between 3,200 m and 5,900 m in the northeast Pacific (Figure 1). Mean values of potential mining sites here have the following ranges: manganese 22 per cent to 27 per cent; nickel 1.2 per cent to 1.4 per cent; copper 0.9 per cent to 1.1 per cent; cobalt 0.15 per cent to 0.25 per cent. Chile, Mexico and French Polynesia may have economic-grade nodule fields within their EEZs. In the South Pacific, nodule distribution is more irregular; one area of concentration is around the Manihiki Plateau, the Society Islands, Tahiti, and the Tuamotu Archipelago. More to the south, nodules occur west of the East Pacific Rise and northeast of New Zealand. Another nodule area lies in the circumpolar region of Antarctica. In the northern Peru Basin nodule density is 7 to 14 kg/m² up to 30 kg/m² with 1.1 per cent to 1.2 per cent nickel and thus may be of economic interest.

Manganese nodules might be mined in the 1990s when economic, technical, legal and political factors are more favourable. In a first phase of mining, about 0.6 million km² in the Northeast Pacific nodule belt and 2 million km² in the total Pacific may contain fields of sufficient nodule density, weight and metal content (Table 2). The *in situ* reserves amount to 16 billion tons of nodules in the first phase with recoverable reserves of 5.6 billion tons. The area for each mining site would be between 80 thousand km² and 120 thousand km². There would be space and abundance for at least forty to forty-five mining sites in the Pacific during a first generation of deep-sea mining.

Manganese nodules have been known for over 100 years but valued economically for only about twenty years and have become commercially retrievable within the last ten years. The Red Sea brines and metaliferous muds were discovered and delineated within the last twenty years; deep-sea hydrocarbons were frequently encountered by

⁹ Halbach, *op. cit.*, pp 42, 45-7, 55-8.

Table 2: Metal reserves of ferromanganese nodule deposits in the Pacific Ocean and number of estimated mining enterprises^{a,b}

	Development of Deep-Sea Mining			
	Pacific Ocean Total		Northeast Pacific Nodule Belt	
	Phase 1	Phase 2 additional	Phase 1	Phase 2 additional
Estimated size of available mining areas (10^6 km ²)	2.0	1.0	0.6	0.3
nodule reserves <i>in situ</i>	$16 \cdot 10^9$ t	$5 \cdot 10^9$	$4.8 \cdot 10^9$	$1.8 \cdot 10^9$
recoverable	$5.6 \cdot 10^9$	$2.5 \cdot 10^9$	$1.7 \cdot 10^9$	$0.9 \cdot 10^9$
recoverable metal (10^6 t)				
Mn	1570	700	422	234
Ni	65	25	21	10
Cu	56	23	20	9.5
Co	10	5	3	1.7
Number of estimated mining enterprises	45-100	22-50	14-30	7-15

^a Source: Halbach, see note 5, p 57.

^b Based on 'prospective areas' and including 45,000 km² total extension-of-mining site 'spots,' calculated for a recovery rate of 35 per cent, which have to meet the demands of production as well as account for the ubiquitously hazardous and dead areas.

the Deep Sea Drilling Programme during the last fifteen years, and metallic sulphides and cobalt-rich crusts have become known only within the last decade. We are just now beginning to understand the origin and distribution of these deposits. Surprises continue. What else of economic value might be found on and beneath the ocean floor?

Cooperation in marine scientific research and exploration

The fundamental necessity for international cooperation in deep-sea mineral exploration derives from the superimposition of a mosaic of man-made resource claims on transnational geologic, oceanographic and resource systems. The distribution of economic concentrations of deep sea petroleum and mineral deposits such as manganese crusts and nodules, and metallic sulphides, depends on such variables as the age of the sea floor, and paleo-oceanography, including paleo-sedimentation rates and paleo-ocean circulation. These variables in turn depend on a detailed understanding of sea floor spreading and plate tectonics. Sea

floor spreading and plate tectonics provides a framework for integrating individual bits of geologic data. Understanding of these variables requires geologic knowledge over areas considerably greater than an individual country's EEZ—even a Pacific island EEZ. If the giant geologic jigsaw puzzle is incomplete, so will be the understanding of the origin and distribution of these deposits, thus weakening the ability to predict their economic occurrence.

For example, the geologic history and origin of the South China Sea is not likely to be confirmed without data from many countries' areas within and peripheral to the Southeast Asian seas. There is a hypothesis that the South China Sea was formed by sea-floor spreading and rifting of the Reed Bank area—northern Palawan Island away from the Macclesfield Bank area and the Paracel Islands. To test this hypothesis, a match-up of the marine geology of these segments is necessary. This could best be accomplished through collection of geologic and geophysical data along transects from the inner Chinese margin all the way across the Dangerous Ground, which is claimed in whole or in part by China, Taiwan, Vietnam, the Philippines and Malaysia. Other specific pieces of knowledge important to this synthesis and requiring international cooperation for their acquisition include the origin of the peripheral ridge underlying the continental margin throughout the sea and an evaluation of a possible triple junction off central Vietnam. Such gaps in knowledge could be closed most efficiently through regional or sub-regional cooperative scientific programmes. It is only by piecing together these bits of information from different geographic areas on a synoptic basis that those questions can be scientifically answered.

Another reason for cooperation is that the indigenous marine resource capabilities in the developing countries of the Pacific region are inadequate for supporting the exploration and development of minerals and petroleum. As an example, Table 3 provides the number of indigenous ocean scientists, research vessels and expenditure for marine research in each of the nations bordering the South China Sea. The number of ocean scientists ranged from six in Singapore to 126 in Thailand, the number of research vessels from zero in Singapore to thirty-five in China, and the amount of government expenditures for ocean research from US\$26,300 in Indonesia to US\$2,090,000 in Thailand. Of these countries only Thailand might be considered to have adequate capabilities for the ocean research necessary to lay the foundation for offshore petroleum and mineral exploration, but in Thailand most of this capability is concentrated in fisheries research.

Table 3: Marine science manpower facilities and research expenditure

Political Entity	Number of Ocean Scientists ^b	Ratio of Ocean Scientists to Population ^b (times one million)	Vessels ^b	Annual Marine Research Expenditure ^b (in thousands of US\$)	Marine Research Expenditure/GNP ^b (times one million)
Brunei	NA	NA	NA	NA	NA
Cambodia	NA	0.10 (8)	NA	NA	NA
China	81 (3)	0.03 (9)	35 ^c (1)	NA	NA
Hong Kong	12	3.0 (3)	1 (6)	NA	NA
Indonesia	102 (2)	0.82 (7)	6 (3)	26.3 (7)	1.3 (7)
Malaysia	35 (8)	3.1 (2)	2 (5)	80 (5)	9.2 (4)
Philippines	52 (4)	1.29 (5)	6 (3)	96.3 (4)	6.9 (6)
Singapore	6 (7)	2.60 (4)	0 (7)	41 (6)	7.5 (5)
Taiwan	19 (6)	1.20 (6)	3 (4)	175 (2)	17.0 (3)
Thailand	126 (1)	3.16 (1)	11 (2)	2,090 (1)	171.3 (1)
Vietnam ^d	30 (5)	0.70 (7)	2 (5)	134 (3)	44.7 (2)

^a Data for former South Vietnam only.^b Rank in parentheses.^c Selig S Harrison, *China. Oil and Asia: Conflict Ahead? A Study from the Carnegie Endowment for International Peace*, New York: Columbia University Press, 1971, p 60.

NA = not available.

Sources: National Academy of Sciences, Ocean Affairs Board, Ocean Policy Committee, *US Marine Scientific Research Assistance to Foreign States: Proceedings of a Conference*, Washington DC: National Academy of Sciences, 1974, pp 257-60 (Tables 1-4); John C Marr, *Fishery and Resource Management in Southeast Asia*, Resources for the Future Paper No. 7 in a series prepared for the Program of International Studies in Fishery Arrangements (February 1976), p 36; personal communication and observation in Malaysia, the Philippines, and Thailand, 1973-5. See also documents submitted to the Third Regional Ad Hoc Training, Education and Mutual Assistance (TEMA) in Marine Sciences Meeting in Manila, 15-19 September, 1975, viz. Michael Angot, 'A survey of some facilities for marine sciences in Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam,' Document No. IOC/TEMA-ASIA-10, 27 pp; UNESCO/IOC, 'Inventory of resources and needs in Indonesian facilities in marine sciences', Document No. IOC/TEMA-ASIA-11, 22 pp; Michael Angot and Dirk Troost, 'A survey of training, education and mutual assistance (TEMA) in marine sciences: Philippines', 26 pp, two annexes: Christine L Dawson, 'A comparison of national resources available for fishery research', *Ocean Development and International Law Journal* (5) no 1-21

Singapore has the least such indigenous capability.¹⁰ The indigenous capabilities of the Pacific island nations is less than or, in Fiji and Papua New Guinea, about the same as that of Singapore. Through cooperation, knowledge and personnel could be pooled to carry out research and development on problems of common interest, easing the financial burden of each member-country and producing synoptic coverage over a longer period and in a wider area.

There has already been some sub-regional cooperation between Pacific developing countries in marine minerals scientific research, as well as some developed country and international organisation assistance to them in these cooperative endeavours. The Economic and Social Commission for Asia and the Pacific's (ESCAP) Bangkok-based Committee for Coordination of Joint Prospecting (CCOP) for Mineral Resources in Asian Offshore Areas attempts, through its technical and executive arm, the UNDP Project on Regional Offshore Prospecting in East Asia (EA), to stimulate and coordinate development of offshore mineral resources in the region. The Committee's membership does not include all of the South China Sea littoral countries but does include as 'cooperating countries' the Soviet Union, the United States, and Japan among others. The Intergovernmental Oceanographic Commission sponsors the Working Group for the Western Pacific (WESTPAC). Several specialised UN agencies whose terms of reference include marine problems have offices in the region eg, the UNESCO Regional Office for Science and Technology for Southeast Asia in Jakarta, and the Minerals Section of the Natural Resources Division of the Economic and Social Commission for Asia and the Pacific in Bangkok. There is also a plethora of UN-sponsored or supported national projects as well as bilateral assistance in marine mineral exploration in the region.¹¹

The UNDP-funded, ESCAP-administered CCOP for Mineral Resources in the South Pacific (CCOP/SOPAC) based in Fiji is organised and functions for the South Pacific in a manner similar to that of CCOP/EA. French marine research laboratories such as Office de la Recherche Scientifique et Technique Outre-Mer (ORSTOM) with branches in Tahiti, New Caledonia and Vanuatu, and the Centre

¹⁰ Mark J Valencia and George Evering, 'South China Sea: marine scientific research accomplishments, capabilities, and cooperation,' *Environment and Policy Institute Working Paper*, East-West Center, Honolulu, July 1984.

¹¹ Mark J Valencia, 'Southeast Asian seas: national marine interests, transnational issues, and marine regionalism,' in *Southeast Asian Seas: Frontiers for Development*, China Lin Sien and R Colin MacAndrews (eds), Singapore: McGraw-Hill, 1981, pp 302-55.

National pour l'Exploitation des Océans (CNEXO) in Tahiti conduct geological and geophysical research in the region as do vessels from Australia, New Zealand, West Germany, and the United States under bilateral access agreements. Soviet and Chinese research vessels have also been active there.

But this cooperation and assistance is inadequate for the task of exploring for offshore petroleum and mineral deposits. And the bulk of marine scientific research has been and will continue to be done by foreign maritime powers. In the context of negotiations for development of any deposits in developing countries' EEZs, knowledge is indeed power. But then so could be the newly won control over access by foreign vessels for scientific research. According to UNCLOS, marine scientific research in the EEZ and on the continental shelf can only be conducted with the consent of the coastal state.¹² Coastal states may withhold their consent for the conduct of a marine scientific research project of another state or international organisation in its EEZ or on its continental shelf if that project is of direct significance for the exploration and exploitation of living or non-living natural resources.¹³

Coastal states should be aware that under the new consent regime, maritime powers may attempt to use affiliation with international organisations to gain access for their marine scientific research vessels to gather data which may later be used to their advantage. According to UNCLOS, a coastal state which is a member of, or has a bilateral agreement with an international organisation, shall be deemed to have authorised a project if it approved it when the decision was made by the organisation to undertake the project or if it did not object within four months of notification of the project by the organisation to the coastal state.¹⁴

The UNCLOS does provide the coastal state with the rights to participate free of charge or be represented in the marine scientific research especially on board research vessels (when practicable); to obtain preliminary reports (as soon as practicable) and the final results and conclusions after the completion of the research; to access to all data and samples derived from the marine scientific research project;

¹² United Nations, *op. cit.* in n. 1, Article 246 para. 1 (marine scientific research in the exclusive economic zone and on the continental shelf).

¹³ *ibid.*, 15a.

¹⁴ United Nations, *op. cit.* in n. 1, Article 247 (marine scientific research projects undertaken by or under the auspices of international organisations).

and to an assessment of such data, samples and research results, or assistance in their assessment or interpretation.¹⁵

It is well known that maritime powers sometimes exert pressure in other spheres to gain access to resources in developing countries' EEZs. In this context, states could coordinate their access policies to share information on access requests and to deny access to those entities which undertake unauthorised marine scientific research or research in windows between EEZ claims, violate terms and conditions of access, exert pressure in other spheres, or proceed unilaterally to explore and exploit the common heritage area.

Thus the need for cooperation among developing nations in marine scientific research matters derives from the transnationality of marine geology, insufficient indigenous marine scientific research capabilities, and the need to reinforce each other's policies on access for marine scientific research by foreign nations, as well as Third World legal interpretations of relevant UNCLOS provisions. There has already been a tremendous degree of coordination and cooperation at the policy level among developing Asia/Pacific countries on Law of the Sea and related matters. They acted as a bloc (unsuccessfully) supporting the siting of the International Seabed Authority in Fiji. They support national ownership of tuna fish and many of the Pacific island countries are members of the South Pacific Forum Fisheries Agency which has promulgated an agreement black-listing vessels which violate members' terms of access to EEZs, and many Pacific island countries have endorsed a nuclear-free zone treaty for the South Pacific. Such cooperation could and should be extended to implementing the transfer of marine science technology and know-how to the Third World.

The UNCLOS calls upon signatories to promote the development of the marine scientific and technological capacity of developing states which may need and request technical assistance for the exploration, exploitation, conservation and management of marine resources, the protection and preservation of the marine environment, and marine scientific research with the purpose of accelerating their social and economic development. This is to be done by fostering favourable economic and legal conditions for the transfer of marine technology, establishing programmes of technical cooperation for the effective transfer of all kinds of marine technology, including meetings on scientific and technological subjects, particularly on policies and

United Nations, *op. cit.* in n. 1, Article 249 (duty to comply with certain conditions)

methods for the transfer of marine technology, promoting the exchange of experts, and promoting joint ventures and other forms of bilateral and multilateral cooperation.¹⁶ To put teeth in these provisions, states might coordinate their requests for training and transfer of technology and link them to access arrangements. For example, the ASEAN Committee on Science and Technology (COST) has a Working Group on Marine Sciences, which has discussed the possibility of a cooperative approach to extra-regional access for marine scientific research, and has successfully approached the United States for funding of an ASEAN marine sciences programme.¹⁷

The obligations of developed country signatories of UNCLOS include the establishment of national and regional marine scientific and technological centres in the developing world. The functions of such regional centres are supposed to include among others: (1) training and educational programmes at all levels on marine biology, including conservation and management of living resources, oceanography, hydrography, engineering, geologic exploration of the sea bed; mining and desalination technologies; management studies; the protection and preservation of the marine environment; and the prevention, reduction and control of pollution; (2) organisation of regional conferences, seminars and symposia; (3) acquisition and processing of marine scientific and technological data and information; (4) prompt dissemination of results of marine scientific and technological research in readily available publications; (5) publication of national policies with regard to the transfer of marine technology, and systematic comparative study of those policies; (6) compilation and systematisation of information on the marketing of technology and on contracts and other arrangements concerning patents; and (7) technical cooperation with other states of the region.¹⁸

As a hypothetical example, an Asia/Pacific Institute for Marine Resources Management (APIMARE) could undertake research and education/training in the Asia/Pacific region, for Asia/Pacific developing nations, and as far as is feasible, by nationals from Asia/Pacific developing countries. The institute would not be narrowly

¹⁶ United Nations, *op. cit.* in n. 1, Article 269 (measures to achieve basic objectives). There are also provisions for technology transfer by contractors working under the regime of the International Seabed Authority. United Nations, *op. cit.* in n. 1, Article 144 (transfer of technology), Annex III Article 5 (transfer of technology) and Article 15 (training programmes).

¹⁷ Valencia and Evering, *op. cit.* in n. 10.

¹⁸ *Ibid.*, Articles 275-7 (establishment of national centres; establishment of regional centres; functions of regional centres).

and esoterically individualistic and scientific, but would focus international, multidisciplinary teams on resource exploration, assessment, sustained development and management in support of regional goals. These teams would provide technical support to formal and informal regional committees and respond to *ad hoc* regional requests for resource management studies. Highest priority would be on truly shared resource management problems that can only be solved by gathering data from several countries' areas. Priorities among shared resource management problems would be strongly influenced by the size of the potential economic benefits and the number of member-countries that would directly benefit by a solution to the problem. Second priority would be on issues held in common but not transitional in themselves and again priorities among common problems would be influenced by the potential economic benefit and number of member-countries desiring the research. Research to only one nation's benefit would be of lowest priority and on a rotating basis. The institute would serve as a node and clearing house for access for requests for scientific research by foreign nations and international organisations, and offers of, and requests for technical assistance. Such research and technical assistance would have to fit the institute's existing research agenda. The institute would also be a central data bank, and a coordinator and implementor of human resource development for marine resource management.

Because most marine science data in the region has been and is still collected and analysed by scientists of countries external to the region, APIMARE would be a focal point for a massive marine science knowledge and technology transfer to the region and where knowledge and personnel could be pooled to carry out research and development on problems of common interest. Thus cooperative marine resources research may be the key to realising the development benefits of the new resources in extended jurisdictional zones.

The research agenda would include as over-arching themes the present and potential economic costs and benefits of exploration/exploitation of the resources known or expected in the new jurisdictional space; the present and projected role of marine resources in development; multinational sea-use planning and management; the role of new national marine resources such as oil, minerals and space for navigation in the implementation of global concepts such as the New International Economic Order or a Pacific Community; and identification and evaluation of possible consortia of developed and

developing Asia/Pacific countries to harvest these new resources.

Sector themes would include fisheries, hydrocarbons and minerals, environment, climate/weather, and shipping. Research in fisheries would include assessment of shared stocks, eg, scads, mackerels, sardines and tunas; evaluation of 'surplus' in national exclusive economic zones; harmonisation of fisheries management regulations and techniques; amelioration of national offshore/artisanal fishermen conflicts; amelioration of transnational fisheries conflicts; and identification and evaluation of possible Asia/Pacific cooperation in fish catching, processing, distribution, and marketing. Research in hydrocarbons and minerals would include assessment of resources in areas of overlapping claims in Asia/Pacific nations and in shared basins; cross-jurisdictional research of plate tectonics and its relation to hydrocarbon and ore deposits; and identification and evaluation of possible Asia/Pacific cooperation in hydrocarbon exploration, refining and marketing.

Research in environment would include standardisation of sampling and analytical techniques and equipment; assessment of marine environmental quality in shared and adjacent areas; assessment of pollution effects on shared and common living resources; assessment of the transnational effects of deterioration of national marine ecosystems; harmonisation of regulations; and identification and evaluation of possibilities for Asia/Pacific cooperation in marine environmental protection and management. Research in climate/weather would include typhoon generation; tsunami generation; disaster preparedness; and monitoring of major oceanographic systems and weather forecasting. Research in shipping would include surface circulation; tides and tidal phenomena; and identification and evaluation of possible Asia/Pacific cooperation in shipping.

There are a number of policy questions which would need to be addressed before implementation of APIMARE. Would potential funders such as the United States, Japan, Canada and the EEC be willing to contribute jointly or would each wish to fund a separate organ or separate national programmes? Would indigenous funding in cash or in kind, up front, or later, be necessary, desirable or likely? How much initial capital would be required to form a critical mass of staff and facilities, and how much would be required for annual operations? After raising the initial capital, would it be preferable to support operations by interest from a trust fund like the United Nations University or by grants for specific projects, or both?

What should be the criteria for membership and what should be the status of developed countries who wish to contribute, and/or work with the organisation? Should there be subsidiary bodies for particular geographic regions, eg, Northeast Asia, Southeast Asia, and the Pacific islands? How should the organisation be governed? What criteria should be used in determining specific research priorities? How much effort should be devoted to scientific research, and how much to resource policy studies, and to education/training? Should APIMARE offer degrees or certificates?

Given APIMARE's mission of technology and knowledge transfer, it may be impractical to begin initially with an all ASEAN staff. What should be the indigenous/exogenous proportions of staff in research, education/training, and administration? Should salaries be on an international scale or on a par with comparable host country positions? The views of both potential member-countries and potential donors should be sought on these and other funding and organisational questions in a feasibility study. On this basis, a concrete proposal could be developed and promoted by potential member countries in their dealings with maritime powers active in the Pacific.

Cooperation in negotiations with multinational companies

Some of the new mineral deposits are, or are likely to be owned by countries who wish to benefit from their development but which lack the capital, technology, know-how and markets of those countries which value the mineral most and wish to obtain it. Can these new national marine mineral resources be of importance in the implementation of global concepts such as Pacific Basin Economic Cooperation or a New International Economic Order (NIEO)? Are consortia of developed and developing countries to harvest these resources economically feasible and politically acceptable?

Among others, the NIEO calls for transfer of basic foreign-owned assets to national control helping to create a new industrial geography, and for social control of technology.¹⁹ According to NIEO supporters, the incipient Pacific marine mineral mining industry should not become another foreign-controlled sector of Third World economies. They believe that national economic sovereignty includes the rights to

¹⁹ *The 1975 Dag Hammarskjöld Report on Development and International Cooperation*, Part II: 'Towards a New International Order, an agenda for negotiations between Third World and industrialised countries,' pp 88-102.

produce, allocate production and determine who may produce, and the rights to acquire and regulate the use of assets within a country. They also feel that contracts based on radically unequal knowledge can be unilaterally abrogated. They recommended a minimum code of conduct and an international data-collection, compilation-analyses and recording system to make the workings of transnational companies more manageable.

Such provisions for Pacific miners could be collectively urged by the resource owners. The definition of how to evaluate assets, the identification of relevant historical and economic circumstances—past profit remittances, tax treatment, transfer prices—and the use of clauses providing for automatic or contingent negotiation of long-term agreements are among the guiding principles needing cooperative action. Thus, there may be an opportunity here for resource-owning Third World countries to own, manage, administer and market their *own resources*. This would avoid an oft-repeated, long drawn-out process of bickering and confrontation over the effective control of natural resources. The sooner effective national control is achieved, the better conditions for international cooperation will be.

In the view of NIEO theorists, this exercise of national economic sovereignty would aid the transition towards a new industrial geography of the world. Production would then be located where a large number of the production factors are found, rather than in the market centres where most mineral commodities are now imported and processed. Although mining, processing and conversion to industrial commodities of marine minerals in the Pacific might implement this transition, this new geography—according to NIEO supporters—should not be planned and implemented by transnational corporations solely according to their own interests and objectives, eg concentrating projects exclusively in larger, better endowed, more industrialised developing countries. Usually, according to these theorists, financial transfers have been used as a political instrument to stimulate growth of those countries who do not pose any threat to existing power relationships while withholding it from those which have undertaken radical structural transformation of their societies and economics. Avoided should be types of production that will only result in a new, unequal and dependent structural relationship with industrialised countries.

One way to ensure a cohesive, coherent approach to multinational corporations in this virgin area by small isolated island nations is for

them to jointly develop and promote similar fundamental parameters of their exploration contracts. While the specifics of the financial aspects may vary with the risk involved, similar types of agreement and fundamental features could avoid divide and rule tactics. Such features could include the duration and obligations of the exploration and exploitation phases, national company participation, if any, royalties, taxation, cost recovery provisions, and training/technology transfer features. The UNCLOS promotes the establishment of generally accepted guidelines, criteria and standards for the transfer of marine technology to developing countries.²⁰

Another possibility for developing nations is to form consortia to undertake sea-bed mining in the common heritage area under agreement with the International Seabed Authority. India, for example, is one of only four presently qualified pioneer investors under UNCLOS Resolution II and might be interested in spearheading such a head-start, joint venture.²¹

Joint development in areas of overlapping claims

According to UNCLOS, coastal states may, in addition to a 200-mile EEZ, claim a continental shelf throughout the natural prolongation of their land territory to the outer edge of the continental margin, but not exceeding 350 miles from baselines.²² Coastal states can also claim submarine elevations that are national components of the continental margin, like plateaux, rises, caps, banks and spurs.²³ On the continental shelf the coastal state has exclusive sovereign rights for the exploration and exploitation of non-living resources of the seabed and subsoil²⁴ except that the coastal state must share the proceeds from the exploitation of non-living resources of the shelf beyond 200 miles from baselines.²⁵

The delimitation of the continental shelf between opposite or adjacent states is to be effected 'according to equitable principles',²⁶ a

²⁰ United Nations, *op. cit.* in n. 1, Article 271 (guidelines, criteria and standards)

²¹ Conference Report, Preparatory Commission, 'The long road to success,' *Marine Policy* 8(4) 1984, pp 363-6.

²² United Nations, *op. cit.* in n. 1, Part IV (continental shelf), Article 76 (definition of continental shelf), para. 1.

²³ *ibid.*, para. 6.

²⁴ *ibid.*, Article 77 (rights of the coastal state over the continental shelf), para. 1, 4.

²⁵ *ibid.*, Article 82 (payments and contributions with respect to the exploitation of the continental shelf beyond 200 nautical miles), para. 1.

²⁶ *ibid.*, Article 83 (delimitation of the continental shelf between states with opposite or adjacent coasts), para. 1.

vague concept which in application has different meaning for different states. Islands may be used to claim EEZs and continental shelves. Disagreement over baselines, particularly over certain islands as basepoints for maritime claims, and disagreement over the interpretation of various legal and equitable principles leads to overlapping claims to continental shelves and EEZs. In cases of overlapping claims, UNCLOS provides that states shall make every effort to enter into provisional arrangements of a practical nature and that during the transitional period they shall not jeopardise or hamper the reaching of the final agreement.²⁷ Given that mineral discovery and development is a common high priority among developing nations, international joint development—the setting aside of the actual boundary question and jointly exploring for, and exploiting the mineral wealth in an agreed area of overlap—may be one such ‘arrangement of a practical nature.’

There are at least eight unresolved boundary situations in the southwest Pacific which might lead to overlaps and controversies,²⁸ particularly if mineral deposits are suspected or discovered in the overlap areas. Between Fiji and Tonga, the frame which was drawn around the Kingdom of Tonga in 1887, and within which Tonga still claims all rights, overlaps 4860 nm² of waters and seabed which Fiji can claim. Also, Tonga's claim to Minerva Reefs an islands could increase Tonga's claimed area by 56,500 nm² at the expense of 18,500 nm² of Fiji's area. The boundary between Western Samoa and American Samoa is unsettled and Western Samoa may not accept Swain's Island as a fair basis for restricting its claim in the northeast. Papua New Guinea's claim extends east of an equidistance line and encloses a 6,500 nm² area which could be claimed by the Solomon Islands. A disagreement between New Caledonia and the Solomon Islands would arise if New Caledonia rejected the Solomon Islands' archipelagic baseline around Indispensable Reefs; this would place the equidistance line thirty miles to the north. A dispute between New Caledonia and Vanuatu may arise over the ownership of Hunter and Matthew islands and the 53,800 nm² of sea and seabed that can be claimed from them.

²⁷ *ibid.*, para. 3.

²⁸ J R V Prescott, 'International maritime boundaries in the southwest Pacific Ocean' in *Law of the Sea and Ocean Development Issues in the Pacific Basin*. (Proceedings of the Law of the Sea Institute 15th Annual Conference) Edward L Miles and Scott Allen (eds), Honolulu, Hawaii: Law of the Sea Institute, 1981; J R V Prescott, 'Existing and potential maritime claims in the southwest Pacific', in *Ocean Yearbook 2*, Elizabeth Mann Borgese and Norton Ginsburg (eds), Chicago: University of Chicago Press, 1980, pp 317–45.

There is also a potential problem between New Caledonia and Australia because of tiny outlying islands claimed by each and the necessity to determine which of these islands can be used as points on baselines from which the boundaries will be determined. Further, the Lord Howe Rise itself, on which these islands lie, is separated from the continental margins of these two countries by deep zones. The Lord Howe Rise is thus a continental margin beyond the 200-mile claims of Australia, New Caledonia, and New Zealand and must be divided among them.

There are many areas of unresolved boundaries in Southeast Asian seas which may contain petroleum or mineral resources (Figure 2).²⁹

Shallow water (less than 200 metres)

- Malaysia–Thailand—a quasi-triangular-shaped area in the southwestern Gulf of Thailand resulting from disagreement over the effect to be given to Thai islands in drawing an equidistant line, although the two countries signed a memorandum of understanding on 21 February 1979 recognising the overlapping claims and agreeing to establish a joint authority for the exploitation of seabed resources in the disputed area.

- Indonesia–Vietnam—a large trapezoid-shaped area north of the Natuna Islands where Vietnam claims natural prolongation of its land territory to a depression just north of the Natuna Islands, and Indonesia claims the equidistant line between Indonesia's archipelagic baseline and Vietnamese territory.

- Indonesia–Malaysia—a contorted triangular-shaped area extending northeast from the Sarawak–Kalimantan land boundary where the agreed continental shelf boundary is not coincident with an equidistant line.

- Brunei–Malaysia—a triangular-shaped area where the United Kingdom, on Brunei's behalf, claimed more shelf area than it was entitled to by an equidistant line.

- Burma–India—a small semicircular-shaped area produced by Burma's controversial baseline across the Gulf of Martaban.

- Thailand–Kampuchea–Vietnam—a large part of the eastern Gulf of Thailand resulting from disagreement on ownership of islands and

²⁹ J R V Prescott, 'Maritime jurisdictional boundaries' in *Marine Policy in Southeast Asia*, George Kent and Mark J Valencia (eds), Berkeley: University of California Press, pp 64–6. Daniel Dzurek, 'Boundary and resource disputes in the South China Sea,' in *Ocean Yearbook* 5, Chicago: University of Chicago Press, pp 254–84.

the effect to be given to various islands in drawing equidistant lines, and on the azimuth of projections of land boundaries into the sea.

- Vietnam-China—an hourglass-shaped area resulting from Vietnam's claim that the boundary should be an 1887 Sino-French treaty line intended to allocate ownership of islands, and China's apparent claim of the equidistant line as the boundary.

- Malaysia-Singapore-Indonesia—a small belt of disputed area generated by conflicting claims by Malaysia and Singapore to Horsburgh Light or, more accurately, to the feature on which it stands; the result could affect Singapore's boundary with Indonesia.

Deep-water

- China (Taiwan)-the Philippines—a large triangular-shaped area in the Bashi Channel resulting from Taiwan's declaration of an EEZ following the equidistant line and the Philippines' adherence to the treaty as territorial waters.

- Indonesia-the Philippines—a small triangular-shaped area south of Mindanao where Philippine treaty (territorial) waters extend beyond an equidistant line between Philippine and Indonesian archipelagic baselines.

- Malaysia-the Philippines—a triangular-shaped area off northeast Sabah in the Celebes Sea where Malaysia's continental shelf claim from a controversial baseline extends beyond lines of equidistance using various islands. There also are two small slivers of area here disputed by Malaysia and Indonesia because Malaysia's unilateral claim does not give effect to the Indonesian islands of Batuan Unarang and Pulau Maratua.

- Indonesia-Australia—a rectangular-shaped area south of East Timor where Indonesia claims the equidistant line and Australia claims a direct line joining existing agreed boundary segments.

- Malaysia-Vietnam-the Philippines-China—most of the central and northern South China Sea is claimed by China on historical grounds; all claim ownership of some of the Spratly Islands on various grounds.

- Indonesia-Australia—a large area to the west of the Timor 'gap' where Indonesia and Australia disagree as to the effect to be given to the Australian Scott Reef and Ashmore, Cartier, and Browse islands.

- Indonesia-Australia—a large semicircular-shaped area between Christmas Island and Java where Indonesia argues that the island does

not generate a right to a continental shelf because it is far closer (within 200 miles) to Indonesia than Australia.

Among the precedents for joint development, the agreements between Thailand and Malaysia,³⁰ South Korea and Japan,³¹ Saudi Arabia and Kuwait³² and Iceland and Norway³³ are sufficiently well-documented to delineate elements in common and their variation. Frequently appearing elements define the extent of the area, the contract type, financial arrangements, the process of selection of concessionaries and/or an operator, the length of the agreement, and the nature and functions of the joint management body.

Joint development does not have to be *in lieu* of a boundary; indeed boundaries were agreed in the land portion of the Saudi Arabia-Kuwait arrangement, and for the exclusive economic zones between Norway and Iceland. However, agreement on the extent of the area in question is fundamental to a joint development arrangement. In the Thai-Malaysia and South Korea-Japan cases, the area of overlap of the respective claims became the agreed joint development area. In the Saudi Arabia-Kuwait case the land portion of the joint development area was originally a neutral zone established as a buffer to prevent clashes of nomadic tribes. In 1965 a boundary was agreed and the zone was partitioned; however the partitioned zone, ie, the area covered by the neutral zone before partition, became the joint development area. The submerged area adjoining the partitioned zone has not been

³⁰ Datuk Harun Ariffin, 'The Malaysian philosophy of joint development' in *Geology and Hydrocarbon Potential of the South China Sea and Possibilities of Joint Development*, (Energy, The International Journal, Special Issue) Mark J Valencia (ed), 1985, pp 533-8. Prakong Polahan, 'Thailand-Malaysia memorandum of understanding' in *The South China Sea Hydrocarbon Potential and Possibilities of Joint Development*, Mark J Valencia (ed), New York: Pergamon Press, 1981, pp 1355-8.

³¹ Masahiro Miyoshi, 'The Japan-South Korea agreement on joint development of the continental shelf' in *Geology and Hydrocarbon Potential of the South China Sea and Possibilities of Joint Development*, (Energy, The International Journal, Special Issue) Mark J Valencia (ed), 1985, pp 545-54; Choon-Ho Park, 'Joint development of mineral resources in disputed waters: the case of Japan and South Korea in the East China Sea' in *The South China Sea. Hydrocarbon Potential and Possibilities of Joint Development*, Mark J Valencia (ed), New York: Pergamon Press, 1981, pp 1335-54.

³² William T Onorato, 'A case study in joint development: the Saudi Arabia-Kuwait partitioned neutral zone' in *Geology and Hydrocarbon Potential of the South China Sea and Possibilities of Joint Development* Energy, the International Journal, Special Issue, Mark J Valencia (ed), 1985; Fereidun Fesharaki, 'Joint development of offshore petroleum resources: the Persian Gulf experience' in Mark J Valencia (ed), *The South China Sea: Hydrocarbon Potential and Possibilities of Joint Development*, New York: Pergamon Press, 1981, pp 1325-34.

³³ Willy Østreng, 'Reaching agreement on international exploitation of ocean minerals resources with special reference to the joint development area between Jan Mayen and Iceland' in *Geology and Hydrocarbon Potential of the South China Sea and Possibilities of Joint Development*, (Energy, the International Journal, Special Issue) Mark J Valencia (ed), 1985.

partitioned and the two countries have agreed to joint exploration outside territorial seas of six miles.

In the Iceland-Norway case, the recommended joint development area is based on the extent of the prospective sediments and is 70 per cent on the Norwegian side of an agreed EEZ boundary. An interesting variation is the recommendation that if a field extends outside the joint development area into Icelandic shelf, then, Iceland should have sole rights to that portion in its territory, but if a field extends into Norwegian shelf, the whole field should come under the joint development scheme. In the Saudi Arabia-Sudan arrangement in the Red Sea,³⁴ the joint development area is that between the 1,000 m isobaths extending from each coast and includes the main Red Sea brine deposits. In the minority opinion recommendation for Tunisia-Libya, the joint development area would be that formed by lines deviating 10-15° on either side of an adjusted equidistance line.³⁵

If the two countries have different contractual systems, eg, concessions versus production-sharing, they must agree on one or the other. Also difficult are questions of respective management rights, taxation, and the allocation of financing. If the area is sufficiently prospective, financing could be arranged by private companies, but that must be agreed as must the choice of company. Thailand and Malaysia agreed to use a production-sharing contract system even though Thailand was using a concession system. The agreed tax formula amounted to half the total rates in both countries. Under the South Korea-Japan arrangement, each country names a concessionaire and taxes are collected by each party from its own concessionaire. The Saudi Arabia-Kuwait schemes uses concessions and OPEC tax rates, royalties, and prices, and production and maintenance costs. A joint venture contract was the recommended approach for the Norway-Iceland arrangement. The conciliation commission also recommended that each party participate with a 25 per cent share in joint ventures with oil companies in the other's portion of the joint development area, but that if no commercial companies become involved and the countries each finance exploration themselves in their own portions of the joint development area, Norway should carry Iceland's interest but Iceland should not be expected to do so.

³⁴ Ali A El-Hakim, *The Middle Eastern States and the Law of the Sea*, Syracuse, New York: Syracuse University Press, 1979, pp 180-5.

³⁵ Jens Evensen, Dissenting opinion, Case concerning the continental shelf (Tunisia/Libyan Arab Jamahiriya), International Court of Justice, Reports of Judgements, Advisory Opinions and Orders, Judgement of 24 February 1982, p 321.

In both the South Korea–Japan and Saudi Arabia–Kuwait land agreements, both parties nominate a concessionaire for the entire subzone or area and these concessionaires reach an operating agreement between them, or in the South Korea–Japan agreement, by drawing lots, if necessary. Saudi Arabia and Kuwait agreed on one operator for the offshore portion of the joint development area. No specific reference to a contractual system was made in the Saudi Arabian–Sudan agreement. However, it was agreed that Saudi Arabia would carry the interest of the Sudan for the activities of the joint commission.

The duration of the agreement must be decided as well as the reasons and procedures for terminating the agreement. A short-term agreement (say ten years) may provide impetus to hasten exploration and development but may also make investors shy away from a situation which will obviously change. A long-term agreement (say fifty years) provides a more stable investment climate but a longer commitment. The Thailand–Malaysia agreement is for fifty years or until the parties agree on delimitation. The South Korea–Japan arrangement is also for fifty years; however it can be terminated by mutual consent if the parties recognise that the natural resources are no longer exploitable. The Saudi Arabia–Kuwait agreement is of indefinite duration and can be terminated by either party. However a sixty-year concession in the area was given to one company.

There also needs to be agreement on the degree of autonomy and authority to be vested in the joint development body, if one is established. Should it be strong—a full legal person with powers to license, stipulate terms and exemptions and enter into contractual agreements with foreign companies—or should it be weak—simply a liaison or consultative body between national oil companies? In the Thailand–Malaysia case, a joint authority was established for the purpose of exploring and exploiting the non-living natural resources of the seabed and subsoil in the overlapping area. The joint authority assumed all rights, responsibilities, and powers on behalf of both parties in this regard, and for the development, control and administration of the area. The joint authority has a constitution; it has licensing powers; it can retain profit and will be taxed. It consists of two joint-chairmen, one from each country and an equal number of members from each country; there are one legal and two technical subcommittees. The governments jointly retained sovereign rights to the area and regulation

of customs, fishing, navigation, hydrographic and oceanographic surveys, marine pollution and security. Criminal jurisdiction was divided by a line equidistant between the two claim lines.

South Korea and Japan established the Japan–Republic of Korea Joint Commission with a mandate to review operation of the agreement and *recommend* action to the parties. The Commission has a permanent secretariat and a subcommittee of experts. However the operating agreement between the concessionaires must be approved by the parties and the laws of each party apply to its concessionaire if it is the operator. One interesting variation is that the Japanese Ministry of Agriculture, Forestry and Fishery must be consulted in approving the operating agreement and can restrict exploration and exploitation in designated fishing zones.

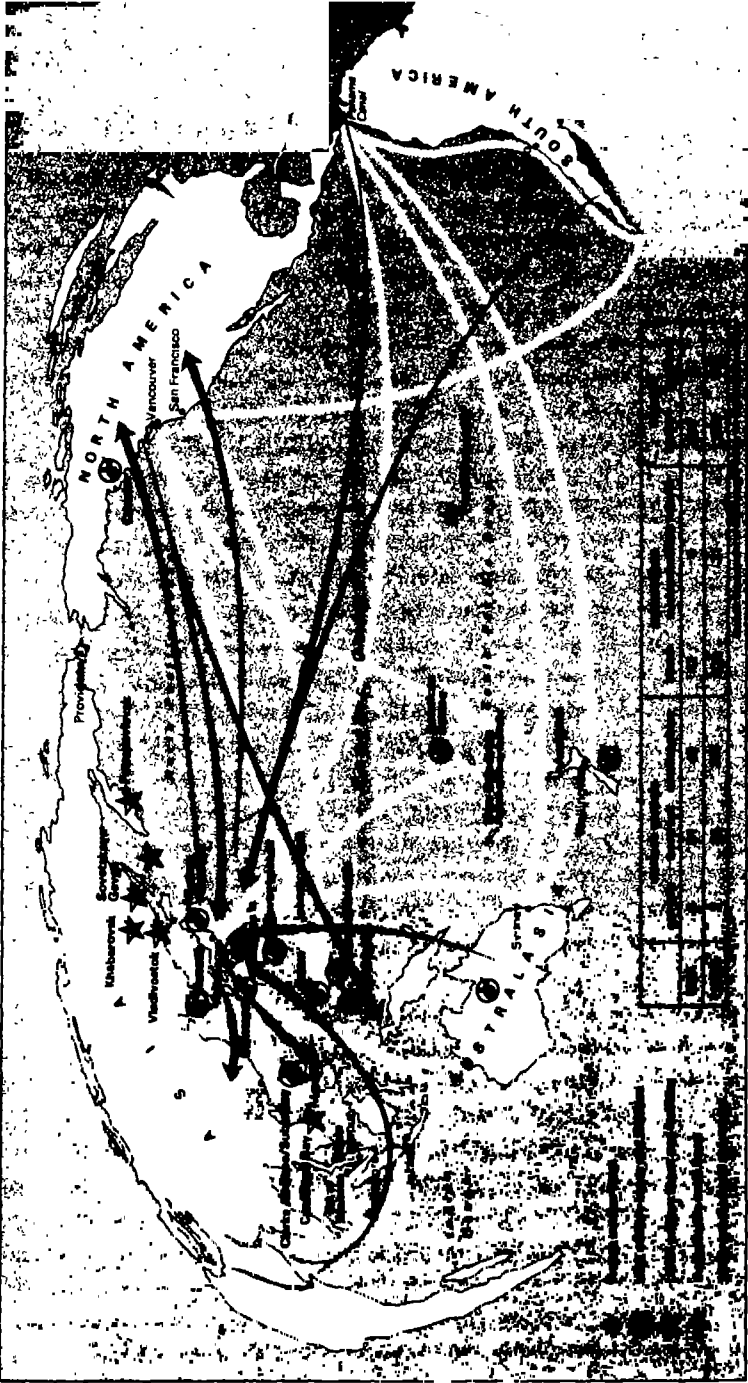
Saudi Arabia and Kuwait established a joint operating committee to supervise the concessionaires' field operators. The committee studies projects and new licences, contracts and concessions relating to exploitation of shared natural resources and recommends action to the respective Ministers of Natural Resources. It can sign contracts. A permanent consultative committee was recommended in the Tunisia–Libya case. The Saudi Arabia–Sudan agreement stipulated that a joint commission would be established to survey and delimit the common zone, carry out the requisite studies concerning the exploration and exploitation of the natural resources there, encourage specialised bodies to undertake exploration activities in the zone, and to look into applications for licences and concessions concerning exploration and exploitation in the common zone, and specifically, render a decision on the previous agreement between Sudan and Preussag for exploration rights.

Standard ingredients which may become important later include unitisation provisions for deposits which straddle the boundaries of the joint development area, and procedures and principles for conflict resolution such as direct negotiation, provisions for, or governing, conciliation commission or the International Court of Justice. Transfer of technology may be important, particularly if there is a great gap between the technical levels of the two entities, or if political difficulties exist between one of the partners and the home country of interested companies, eg, Vietnam and the US.

The successful negotiation of joint development arrangements requires a combination of political skill, will, patience, imagination

practical mindedness and some luck. Such negotiations should be inspired by precedents but not constrained by them.³⁶ These sentiments are probably good advice for most forms of Third World cooperation in marine mineral exploration and exploitation.

³⁶ Mark J Valencia, 'Elements for negotiation: an introduction,' Paper presented at the Second East-West Center Workshop on the Hydrocarbon Potential of the South China Sea and Possibilities of Joint Development, Bangkok, February 1985. Mark J Valencia, 'Laming troubled waters: joint development of oil and mineral resources in overlapping claim areas,' *San Diego Law Review*, Annual Law of the Sea Symposium, manuscript submitted, November, 1985.



New Caledonia: decolonisation and denuclearisation in the Pacific

In 1984 the 320 people living in the tiny atoll of Rongelap in the central Pacific Ocean next to the atolls of Bikini and Enewetak, where the United States had tested at least sixty-six nuclear devices between 1946 and 1954, decided that they must leave their island. What they read in the reports of the US Government health services about the irradiation of their soils and their bodies confirmed what they could see around them in their ancestral home. Like the people of Bikini and Enewetak, they decided—thirty years after the last atomic tests—that they must become nuclear nomads.

The people of Rongelap looked for a place to go and a vessel to take them there with as many of their belongings as they could remove. The US government was unhelpful and it was hard to find a vessel large enough for the purpose. Eventually, the Greenpeace organisation of environmental protectionists offered their vessel, *Rainbow Warrior*. The relocation took place in May 1985. From the US Trust Territory of the Marshall Islands the *Rainbow Warrior* sailed south to New Zealand to refit and to protest against French nuclear testing in neighbouring French Polynesia. It was rumoured that the French were about to test a neutron bomb at their Mururoa Atoll testing site, despite long-standing regional complaints from Australia, New Zealand and other South Pacific states against nuclear testing in the Pacific.

On 10 July 1985 two explosions sank the 160-foot *Rainbow Warrior* in Auckland harbour killing one crew-member and missing the executive leadership of the Greenpeace organisation only by chance. Three months of investigation made it impossible for the French Government to deny that it was responsible for an act of state terrorism perpetrated in another sovereign country which was in the middle of a difficult struggle to resist the requirements of its allies that it accept a nuclear-based regional defence.

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Even as the French were resorting to terrorist tactics to protect their nuclear testing programme from environmental and political critics, the Americans were facing problems from the communities living on the islands that they consider essential to their nuclear defence programmes.

The Trust Territory of the Pacific Islands was established from the former Japanese-controlled Micronesian islands in 1947 and was designated the only Strategic Trust by the UN in recognition of its vital importance to the defence of the US west coast. After forty years of neglect, characterised even by American administrations as benign and by their critics as malign, this last trusteeship has become an embarrassment to the US. Wishing to escape the charge of neo-colonialism, the US nevertheless does not wish to lose control over this vast Pacific territory, and most particularly it needs to retain its absolute control of the missile testing-base on Kwajalein Atoll. Moreover, with the prospect of a post-Marcos Philippines looming as large on security horizons as the loss of Iran, the US is emphatic that it needs to retain control of the deep harbour capacity of the island of Palau as a potential replacement for the facilities at Subic Bay.

The US solution to this dilemma is to foist on the peoples of Micronesia a spurious form of decolonisation in which they would acquire the trappings of statehood but be as effectively deprived of the substance—control over their foreign affairs and defence and control over their fiscal affairs (which would be dependent on continued appropriations from the US)—as the bantustans of South Africa. The terms of this so-called 'compact of free association' have been placed before the peoples of the four micro-entities of Micronesia over the past five years. One entity, the Northern Marianas, opted for commonwealth status with the US on the lines of Puerto Rico. The other three entities will not have sufficient international personality in legal terms to join the UN if the US is permitted to terminate the trusteeship. Yet termination will relieve the US of having to submit its administration of this buffer zone (which contains the 'single most important missile range we have in the entire world' according to Congressman Stephen Solarz) to the scrutiny of the Security Council, currently consisting of the Soviet Union, France, Britain and the United States.

The great hold-out among the Micronesian communities in refusing to accept 'associated status' with the US on terms including acceptance of the nuclear defence has been Palau. The 8,000 voters of the total

population of 15,000 have repeatedly refused to amend their Constitution's 'nuclear-free' clause to enable the introduction of nuclear substances, weapons or ships in their land, sea or air space. In fact, the people of Palau have voted five times on this issue in various forums, because the US will not recognise their commitment to a nuclear-free territory in the light of what they have seen happen at Bikini, Enewetak and Rongelap. The frustration of both sides, American and Palauan, was reflected in the first political murder in post-war Palau, that of pro-Compact President Haruo Remeliik ten days before the bombing of the *Rainbow Warrior*. The American press has not been as assiduous as the French media in investigating this assassination, but whoever actually fired the four bullets that killed President Remeliik, the end result was very satisfactory to the US with the election of the Palauan in charge of Compact negotiations, Lazarus Salii, as the new President in August 1985.

Meanwhile, at the Kwajalein Missile Base in another Micronesian entity, the Marshall Islands, the traditional landowners who saw their land and lagoon seized for US testing of missiles fired from Vandenberg Air Base in California used Greenpeace-type tactics to organise disruptive 'sail-ins' back to their own atolls in protest against the terms in which they have been dislocated. Even if the Marshall Islands government should accede to 'associated status' there is no prospect of the US relinquishing this strategic base which, like US bases in Cuba¹ and Puerto Rico, constitutes effective seizure by eminent domain in perpetuity.

The US and France, then, find themselves in remarkably similar predicaments in the South Pacific. Having established nuclear weapons-testing programmes there that they consider critical, they now find that the rising tides of Micronesian and Melanesian nationalism are bringing their defence activities in the region into a most unwanted limelight. And this at a time when the major inheritors of the British intrusion into the Pacific of two centuries ago, Australia and New Zealand, are increasingly apprehensive about the price they may be required to pay or what they used to think of as a protective alliance.

¹ In 1903 a site covering 28,000 acres at Guantanamo Bay was leased to the US as a naval station by the Cuban Government; the lease was renewed in 1934. Since 1960 the Castro Government has refused to accept the token \$5,000 annual rent and has pressured for the surrender of the base, but the terms of the lease—as for the Micronesian sites—requires consent of both governments to revoke and is therefore in effect in perpetuity. The fully sovereign government of Cuba cannot dislodge the US military installation which is often called the 'Pearl Harbor of the Atlantic.'

The changing attitudes of Australia and New Zealand to US and French military presence in the South Pacific demonstrates Disraeli's remark that yesterday's extremists are today's moderates. In September 1985 the *New York Times* published an overview of Australia by its managing editor, Seymour Topping. He reported as received wisdom views that five or ten years ago would have been considered views of the far left; namely, that because of its hosting of US satellite surveillance and communications facilities, Australia was rendered vulnerable to Soviet aggression. Yet the irony is that as Prime Minister Robert Hawke is a far more cautious critic of the ANZUS alliance or French nuclear testing than he was in opposition or as leader of the trade union movement. In 1973 Hawke led an ACTU (Australian Council of Trade Unions) boycott of French goods and communications in protest against French nuclear testing in the Pacific. But ten years later Prime Minister Hawke sponsored a nuclear-free zone scheme to the South Pacific Forum² which, while it seeks to outlaw nuclear testing in the region would accept passage of such weapons through the region by air or sea with the necessary port calls.

However, New Zealand's Prime Minister, David Lange, leads a Labour Party strongly opposed to all aspects of the nuclear defence involved in the ANZUS alliance. In a recent article in *Foreign Affairs* (Summer 1985) Lange noted:

New Zealanders have felt an increasing sense of frustration and concern that progress in bringing the nuclear arms race under control had been minimal overall and in recent years nonexistent. This concern has been heightened by the growing realization that, despite its physical isolation, New Zealand would not escape the consequences of a nuclear conflict. Anti-nuclear sentiment has also been fanned by French intransigence in persisting with its nuclear testing program in the South Pacific, in defiance of the expressed views of countries in the region.

That intransigence was reflected by France's repudiation of the World Court decision in the action brought by Australia and New Zealand a decade ago when France held that it was not bound by the statements of mere politicians. The sinking of the *Rainbow Warrior* in

² The South Pacific Forum was formed in 1971 as a regional voice. It held its sixteenth meeting in August 1985 at Rarotonga in the Cook Islands. The Forum consists of the island states of the South Pacific together with Australia and New Zealand. It has vigorously opposed Japanese plans to dump low-level nuclear waste in the Pacific, and at Rarotonga declared the South Pacific a nuclear-free zone. However, Australia effectively protected the desire of the US to retain transit rights for nuclear vessels and substances, which are being opposed by New Zealand and several other states. The South Pacific Forum is united in its opposition to French nuclear testing in the Pacific.

Auckland at the height of New Zealand's dispute with the US over its refusal to accept nuclear vessels can only have hardened the New Zealanders' resolve not to become party to the disputes of the northern hemisphere.

But Australians and New Zealanders are not able to feel complacent about their relationship with their regional neighbours either. When Vanuatu came to independence from both Britain and France, the Hon. Walter Lini told the 'landowning' cultures of Australia and New Zealand that if confrontation is to be avoided with the 'landusing' cultures of the Pacific, future relationships are going to depend 'on a practical acknowledgement that our new-found freedoms were fought for, to a significant degree, in order that a renaissance of Melanesian values, principles and expectations could take place.' (*Australian Outlook*, August 1982, p 29.)

The one issue that cuts through the normal timidity of Papua New Guinea's foreign policies is that of the Melanesian renaissance. The Papua New Guinea delegation has manoeuvred itself into a leadership role in the Decolonisation Committee of the UN in recent years. As the last Trust to be terminated by the Trusteeship Council, Papua New Guinea is assiduous in monitoring the extraordinary procedures of the current Trusteeship Council as Britain, France and the US try to impose virtual bantustan status on the people of Micronesia.

These regional tensions and ambivalences about French and American militarisation of the Pacific are reflected in the dynamics of the South Pacific Forum. Australia, New Zealand, Fiji, Papua New Guinea, Western Samoa, Tonga, the Solomon Islands, Vanuatu, Nauru, Kiribati and Tuvalu, and the dependent territories of Niue and the Cook Islands annually try to agree levels of militarisation that they will accept. Australia has played the role of apologist for the US interest luring the Labour Governments of both Whitlam and Hawke. It is thus at odds with New Zealand which has long been a proponent of full denuclearisation of the Pacific. Fiji has been ambivalent on the issue, banning nuclear-capable vessels in 1982 but subsequently reversing this position under US pressure. Vanuatu is the Young Turk of the Pacific, and has been the main and often the only friend of Melanesian independence movements.

Meeting in Tuvalu in 1984, the South Pacific Forum accepted an Australian proposal that would ban the use, testing or stationing of nuclear explosive devices in the South Pacific but left to each sovereign nation the decision whether or not to permit transit of such weapons and

nuclear-powered vessels within their land, sea and air space. This suits the US which is currently not testing nuclear weapons in the Pacific, although it is testing missile-delivery systems at Kwajalein. It does not suit the French who have their nuclear weapons testing installation on Mururoa in French Polynesia. But French and American territories are in any case excised from the Australian-proposed Zone. This essentially gutless South Pacific Nuclear-Free Zone was endorsed as a treaty by the 1985 South Pacific Forum at Rarotonga in the Cook Islands. As well as being a victory for the Americans and French on the denuclearisation issue, the Forum also comforted the French by refusing to accept French Polynesia's request for observer status. The Forum also accepted French promises to hold an Act of Self-Determination in New Caledonia by the end of 1987 at face value, decided not to embark on a campaign to have New Caledonia 'reinscribed' in the list of territories under the authority of the UN Special Committee on Decolonisation at the Fortieth General Assembly.

Australia, with the help of New Zealand (whose Prime Minister Lange is far less sympathetic to Kanak demands for independence than he is to the call for a nuclear-free Pacific) succeeded in blocking, for 1985 at least, efforts by Vanuatu and Papua New Guinea to mount the major diplomatic campaign that is essential if the Kanak people are to be given a true opportunity to determine their future before the end of this decade. It is within this context that we must evaluate the prospects for Kanak nationalism in New Caledonia. The Socialist Party leader and a former Minister for Overseas Territories, Francois Mitterrand, told the French Parliament on 23 November 1979:

We have had enough experience, over the last quarter of a century, of the problems of decolonisation to know how desperate, and then how angry, peoples can become when they do not know where to turn, or when, knowing where to turn—in other words to the French government—they find neither interest, nor vigilance, nor consideration, nor understanding. We are now approaching a situation of desperation which, mark my words, will lead to confrontation.

Now, no doubt you will tell me that the Kanaka population in New Caledonia is, ethnically speaking, in the minority. That may be so, but such arguments are not valid when one remembers how immigration from both metropolitan France and from neighbouring countries has been encouraged. What has to be taken into account is that all the Pacific countries, including Australia, have, after being consulted by the *Front Indépendantiste*, backed their claim to independence. We are going to face a situation that would well, I feel, become extremely tense and possibly dangerous. To what degree should

the claims of the *Front Indépendantiste* be met? I leave that for you to judge. The claims of the Socialist Party have already made up our minds.

The Kanakas, who in 1979 constituted only 42 per cent of the population of this cigar-shaped island that has been part of the French domain in the Pacific since 1853, did mark Mr Mitterrand's words. In May 1981 they supported him in the Presidential elections that brought the Socialist Party to power in France, while the European constituencies in New Caledonia voted overwhelmingly for Giscard d'Estaing. Five years later, however, it is very clear to both Frenchmen and Kanaks that the Socialist Party has not in fact made up its mind about whether the call for independence in New Caledonia can or could be met.

The French are not eager to divest themselves of their empire in the Pacific—the five archipelagos of French Polynesia, the Wallis and Futuna Islands, and New Caledonia, 750 miles east of Australia—at a time when the Pacific Basin is viewed as having some of the strongest economies in the world. While the mineral wealth of New Caledonia—nickel, chrome, iron, manganese and cobalt—is subject to market fluctuations, the 200-mile Exclusive Economic Zone of New Caledonia waters is yet untapped.

Strategically, New Caledonia is an important potential backstop for the *Centre d'Expérimentation du Pacifique* on Mururoa Atoll in French Polynesia. All post-war French governments have been committed to independent nuclear capability for France, *une force de frappe*, the latest strain in Franco-American relations. In 1960 the Algerian crisis forced the French nuclear-testing programme to move from the Sahara to the Pacific. France exploded forty-one nuclear bombs into the Pacific atmosphere between 1966 and 1975, when protests from neighbouring Japan, Australia and New Zealand forced the programmes to move to underwater testing at Mururoa Atoll, despite its highly porous and brittle coral and basalt composition. At least forty-four bombs have been detonated under the atoll, including, according to President Mitterrand in 1980, prototypes of a neutron bomb. Although the advent of Socialist government in Paris in May 1981 led to trade union protests among the more than 3,000 technicians on Mururoa about safety (there were two major accidents in July 1979, and hurricanes were alleged to have washed nuclear wastes off the atoll in 1981) the Mitterrand government has shown no inclination to curtail the French nuclear development programme.

The French maintain an estimated 3,000 troops in French Polynesia

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and a full complement of marines, paratroopers, naval and air forces 2,500 miles away at New Caledonia. The two garrisons are mutually reinforcing, and stand ready to be rapidly deployed to any flashpoint in French territories or those of France's allies in the Pacific. New Caledonia was a very important base for the US and Allied forces during World War II.

As well as its strategic interests, the French government wishes to protect those of its antipodean citizens. In his Brazzaville speech of 1944, de Gaulle had envisioned a community of French territories based on free contractual association. Immediately after the war the terms of this contract were specified in the French Union of 1946. Some colonies became overseas provinces, others overseas territories or associated territories. All indigenous inhabitants of overseas lands associated with France were granted French citizenship. The Socialist government of 1955 enacted the *loi cadre* ten years later in which the overseas territories were given an opportunity to opt for independence or continued contractual association with France. Only Guinea opted for independence in the 1956 referendum. New Caledonia became an Overseas Territory. Because of the 1956 act of choice, France was able to argue in the nascent UN Committee on Decolonisation that its remaining dependencies had willingly chosen a contractual association with the metropole, and therefore ought not to be inscribed on the list of territories that were not yet self-governing or decolonised. The Kanak call for independence challenges the French argument that it is not a colonial power.

A hundred years ago there were 10,000 French convicts in New Caledonia under the control of 5,000 of their fellow Frenchmen. Before the Europeans arrived, it is estimated that the Kanak population numbered between 50,000 and 70,000. In 1982, the Kanak population was 64,300 or 44.6 per cent of the population of 144,000. The first official French count of the Kanak population in 1887 estimated their numbers at 42,500. Twenty-four years later, in 1911, there were only 28,800 Kanaks. Disease, alcohol and missionary-advocated monogamy had combined to reduce the indigenous population by one-third in the first half-century of European presence.

The size of the Kanak population remained stable—without growth but without marked decrease either—until World War II. New Caledonia's 15,000 Frenchmen overwhelmingly supported de Gaulle, and New Caledonia was a very important Allied base during the Pacific war. The Kanaks were 54 per cent of the population at the outbreak of

the war, Europeans 29 per cent and people from other islands such as Wallis and Futuna, west of Samoa and north of Fiji, amounted to 17 per cent. Since both the European and Kanak populations had remained stable at approximately 15,000 and 29,000 respectively, all the growth in New Caledonia's population was in these immigrant groups from other Pacific islands who had come to the *Grande Terre* looking for work. These immigrant workers have always identified their interests with those of the Europeans who owned the enterprises—particularly the nickel-mining and grazing lands—in which they came to work.

The arrival of the American forces during World War II precipitated a boom in construction and services. As a result, the 1956 Census reported a 40 per cent increase in the European population to 25,160 while the Kanak population increased by only 33 per cent to 41,190. There had been considerable emigration of the other islanders during the war years, so that Kanaks were 51 per cent of the population in 1956 and Europeans 36 per cent. This was the last time that the Kanaks were a majority in their own land.

The *Institut National de la Statistique et des Etudes Economiques* (Paris) reported that 80 per cent of the 25,160 Europeans in New Caledonia in 1956 had been born there, but more than one-third of these locally born Europeans (*Caldoches*) were under fifteen years old. That is to say that of the 20,128 *Caldoches* in New Caledonia thirty years ago, one third were children in 1956. Broadly speaking, the number of Europeans of voting age in 1985 who were born in New Caledonia is probably about 30,000.

But the European population in New Caledonia rose steadily during those intervening thirty years. In the 1960s the European population increased by 5,000 more than the natural increase of the Kanak population. The rate of growth of the European population in the 1960s was exactly twice that of the Kanaks. But the number of immigrants from other islands also redressed the losses of the war years, so that by the end of the 1960s the Kanaks constituted only 45 per cent of the population of their own land; Europeans had broken the 40 per cent level, and people from other islands were 14 per cent of the population of New Caledonia.

The population of New Caledonia on 23 April 1974 was 131,655, an increase of nearly 31 per cent since March, 1969. The *Institut National de la Statistique et des Etudes Economiques* noted in its official report of the 1974 Census that:

This remarkable increase is explained partly by the natural rate of increase in

the Territory, but essentially by immigration which has attained a spectacular level in the years 1970-74 in the wake of the development of mining production and economic development.

This was despite a crisis in the nickel market which led to net emigration in 1973. The Institute further noted:

The consequences of this immigration during the period 1969-1972 on the distribution of the population by ethnic origin appeared clearly. It is evident in a perceptible diminution in the *preponderance of the Melanesians* who represent only 40.8 per cent of the total population, despite an effective total of nearly 54,000 people; a marked increase in Europeans (39.2 per cent) and other ethnicities (20 per cent).

The Institute also noted the dramatic increase in the population of Noumea, the capital city, which passed 59,000 and was 44.8 per cent of the population in 1974, a 41 per cent increase since 1969. The Institute attributed this growth in Noumea to a number of causes:

The settlement in the capital of more than 95 per cent of the immigrant arriving in the territory in the period 1969-74; the attraction, growing stronger and stronger, of Noumea for Melanesians looking for salaried work in particular those coming from the Loyalty Islands; and the maintenance of high birth-rate.

The concentration of the population around the capital city was reflected in the 86 per cent increase in the populations of Noumea's three neighbouring satellite communes, Mont Dore, Dumbéa and Païta. More than half of New Caledonia's population lived in these four districts by 1974.

The European population actually decreased by 825 before the next count in 1976 but the number of people who were neither Kanak nor European had almost doubled since 1969 to 26,878. By 1976 the population was approximately 40 per cent Kanak; 40 per cent European and 20 per cent other islanders. The Institute reported that of the 50,000 Europeans, 30,500 had been born in New Caledonia, 14,500 in metropolitan France, and 2,300 in Africa of whom about 1,000 were from Algeria, and there were another 1,000 Europeans from countries other than France, particularly Italy. The Institute pointed out in its 1976 report that:

Immigration has constituted an important demographic factor since a quarter of the people counted in New Caledonia were not born there. This immigration has been especially important from 1969 to 1976. The flows of the previous six years have been very important. They have been composed on the one part by the massive arrival of workers attracted by the development activity in the

territory and on the other by the groups of civil servants and military people who stay for 2, 3 or 6 years in the Territory. The figures for 1975 and 1976 are particularly swelled by the 1200 soldiers come to do their national service in New Caledonia. The record years remain 1970 and 1971 when nearly 7000 people emigrated to the Territory. The professions most frequent among the immigrants are business and the military.

The Institute indicated that 70 per cent of the 20,527 Europeans born outside the Territory had arrived in 1969 or later; 60 per cent of the external-born population of all ethnic groups arrived since 1969. Only 7 per cent of the external-born inhabitants of New Caledonia in 1976 had arrived in the territory prior to 1950.

By 1982 the total population of New Caledonia was 144,000. The Kanaks were 45 per cent of the total, having increased by 13,543 people. The total other population had actually decreased by 10,767 but the Kanaks were a minority in their own land. The nickel industry—owned by metropolitan French interests—was in a severe recession. Paris was making up nearly 30 per cent of receipts for the Territory's budget by 1984 largely as a subsidy during the nickel slump and to support a major programme of primary education for the Kanak people. The central government was infusing more than twice the locally generated revenues, and its total commitment, including military, to the economy was estimated at US\$250 million annually.

A hundred years ago, in 1878, the Kanaks had revolted against the French Governor's seizure of their lands. Two thousand Kanaks and 200 Frenchmen died in that revolt. It was not until 1946 that the Statute on Native Peoples was lifted and the Kanaks were no longer used as forced labour, and acquired the right to move outside the reservations without government permission. New Caledonia gained the right to elect representatives to the French Parliament, and one thousand Kanaks became eligible to vote because of their service in the French Armed Forces. In 1958 New Caledonia voted to become an Overseas Territory by accepting the Constitution of the Fifth Republic in the first election conducted on the basis of universal suffrage.

Executive power was vested in the High Commissioner appointed from Paris. The 36-member Territorial Assembly was permitted to debate and approve the budget submitted by the administration, and to 'express its desires' on issues beyond that narrow jurisdiction. The High Commissioner presided over weekly meetings of the Governing Council, whose seven members were elected by the Territorial Assembly.

But by 1979 neighbouring New Hebrides was moving uneasily to independence from both Britain and France. President Giscard d'Estaing tried to pre-empt the growing autonomy demands in New Caledonia with 'A Long Term Plan for New Caledonia's Economic and Social Development' which came to be known after its advocate, the Secretary of State for Overseas Departments and Territories, Paul Dijoud. The Dijoud Plan committed France to US\$1500 million in development funds over the next decade; more importantly, it began the process of land reform. However, since the legislature was dominated by white settler interests opposed to these reforms for the Kanak people, Dijoud found that the only way he could proceed was by suspending the legislature and operating under Executive Order.

Dijoud insisted that only those parties receiving at least 10 per cent of the vote should be represented in the New Assembly. This precipitated the formation of three coalitions: the *Rassemblement pour la Caledonie dans la République* (RPCR), which, as its name suggests, was anti-independence; the *Fédération pour une Nouvelle Société Caledonienne* (FNSC); and the *Front Indépendantiste* (FI). The first two coalitions entered an alliance, with twenty-two seats in the new Assembly. The FI had only fourteen seats, but it had attracted 82 per cent of the Kanak vote. President Giscard visited New Caledonia in September 1979 and told the FI that it would have to win independence at the ballot box. He advised the white settlers to give the Kanaks a more equitable place in New Caledonian society by beginning with land reform.

In May 1981 François Mitterrand won the presidential election. Despite the absence of a Socialist Party in New Caledonia, he was soundly supported by the Kanak vote, just as the white settlers voted against him overwhelmingly. The new President sent his Minister for Overseas Territories, Henri Emmanuelli, to New Caledonia in August and he recommended acceleration of land reforms and other changes. But, like Dijoud before him, he found that he had to institute rule by decree to get anywhere in this process. In the charged atmosphere of late 1981 a European supporter of independence, Pierre Declercq, was assassinated. He was the first European to be buried in Kanak traditional burial grounds.

In March 1983 the *Front Indépendantiste* won control of eighteen of the thirty-two communes outside Noumea, while the RPCR took all forty-five of the commune seats in the capital. Noumea, the most industrialised city in the South Pacific, the *entrepôt* of the second most

important nickel deposits outside the communist world, was now clearly declaring itself an enclave of white workers, civil servants and tourists. In June 1983 the centrist FNSC withdrew from its coalition with the RPCR and entered into a new alliance with the *Front Indépendantiste*.

A year later President Mitterrand summoned two dozen New Caledonian leaders of all parties to Nainville-les-Roches for round-table discussions. There the French government recognised the right of the Kanak peoples to self-determination, including their right to sovereignty. The Minister for Overseas Territories, George Lemoine, proposed a Statute of Autonomy as a five-year transitional device to an act of self-determination in 1989. The Lemoine Statute was submitted to the French Senate in May 1984. The depth of indifference of the French Parliament to the fate of New Caledonia was indicated by the fact that only seventeen of 488 deputies were present at the vote. The Lemoine Statute passed into French law by seven votes in favour, six against and three abstentions.

The Lemoine Statute was as hotly contested in New Caledonia as it was ignored in metropolitan France. The white settlers said that it gave away too much; the Kanaks feared it was just a trick for postponing the problem to a post-Mitterrand government in 1988. The Statute attempted to promote the internal self-government that most dependent territories have today, but retained control for France of defence, the judicial system, foreign relations and—significantly—immigration. The *Front Indépendantiste* transformed itself into the Kanaka National Socialist Liberation Front (FLNKS) and announced that it would boycott the Territorial Assembly elections scheduled for 18 November 1984 that would serve as a referendum on the Statute. The FLNKS announced that it would form a Provisional Government on 1 December.

The Kanak boycott of the November elections was dramatically successful, even though President Mitterrand had responded by sending in 280 riot police. At the same time as the FLNKS formed its Provisional Government, President Mitterrand sent his Special Envoy, Edgard Pisani, to meet all the parties in order to submit a proposal for resolution of the impasse within two months.

Himself a former Minister for Overseas Territories during the early 1950s, President Mitterrand now accepted the failure of the Lemoine proposals and asked Pisani (former Gaullist Minister of Agriculture, member of the European Parliament and of the Brandt North-South Commission who had become a member of the Socialist Party in 1974)

to carry out the 'mission impossible' that would require the wisdom of Solomon. The Special Envoy worked remarkably quickly and on 7 January he announced his proposals to the people of New Caledonia over Noumean television:

France or independence.

Independence or France.

It is possible to combine that which has thus far been in opposition. I suggest that you decide, in the framework of Article 88 of the French Constitution, in favour of independence with association, guaranteeing the two countries stability in their relations and guaranteeing all, physical and moral persons, respect for their legitimate rights and security.

France and independence.

Mr Pisani insisted that there could be no lasting, peaceful or useful French presence in the Pacific without everyone's consent. But he also remarked that 'the last forty years in the life of this world teach us that once the claim for sovereignty is expressed by a genuine people, independence is inevitable.'

Mr Pisani proposed a referendum in July 1985 on the constitution of New Caledonia as an independent state associated with France. All citizens who had lived in the territory for three years would be permitted to vote on its future. If the proposal succeeded, the French Parliament would recognise New Caledonia's independence as of 1 January 1986. In the interim, the territory would be governed by a transitional government under the High Commissioner until a legislative assembly was elected that could negotiate the necessary treaty with France and the 'community pact designed to serve as the basis and ground rules of the multiracial society that Caledonian society will remain.' Residents would be offered New Caledonian or French citizenship, but no-one would be forced to leave the territory if he or she did not opt for New Caledonian citizenship. Noumea would be given 'special status'. New Caledonia would have sufficient international personality to become a member of the UN and of such regional associations as the South Pacific Forum. Pisani proposed generous economic support for the territory, and argued energetically for diversification of the economy since 'it is ridiculous that agriculture should account for only 3 per cent of New Caledonia's national product'. He sought, he said, not to strike a blow at the economy of Noumea, but rather to give it 'a solid base, a hinterland that can become its supplier and its client'.

The Pisani Plan was criticised in Paris and Noumea as a sellout, while the Kanaks argued that the enfranchisement of all who had been in the

territory for only three years would ensure the supremacy of white settler interests. Mr Pisani worked hard to explain his compromise to all the interested parties. 'I had to work out a "mix" of guarantees: guarantees to France, to the Kanak people, and to the other communities. Then I realised that the problem was not that of the French presence in New Caledonia but the terms of that presence . . . We have all the elements to arrive at a durable contract that will promote equilibrium.' Mr Pisani is convinced that 'It is the future of New Caledonia to remain a multi-racial society.'

While Parisian forces called for the impeachment of President Mitterrand, the Gaullist leader of Noumea, Jacques Lafleur, flatly rejected the Pisani Plan. The debate within the FLNKS over how far to accommodate Mr Pisani was polarised by the killing of the Minister of Internal Security, Eloi Machoro, on 12 January. Machoro's faction had travelled to Libya and was the most militant of the barricade builders in the countryside outside Noumea. Mr Mitterrand was in the process of extracting his troops from Chad, and now found himself having to send 3,000 of them out to New Caledonia to protect the white settlers against Machoro's Libyan-trained platoon. Jean-Marie Tjibaou, the President of the Provisional Government, initially accused Pisani of acquiescing in the killing of Machoro in order to eliminate this militant faction. But President Mitterrand flew to New Caledonia for twelve hours of meetings with both sides on 18 January to 'reopen the dialogue'. His visit also constituted an endorsement of the Pisani Plan. Pisani told Stephen Downes of *The Age* (Melbourne) on 23 January:

'President Mitterrand has emphasised my general architecture and he has asked everybody to contribute to the shaping round this architecture of the flesh . . . I think the bones are fixed'.

But President Mitterrand and Mr Pisani found that many observers consider that it is not only their metaphors that are mixed. '*L'indépendance avec La France*' seems a contradiction in terms to people more familiar with British principles of decolonisation. The editorial writers of *The Times* (London) passed the following judgement on January 8:

An ingenious proposal, but one which apparently defies a primary rule of logic: the law of the excluded middle. A state, one would think, is either independent or not. The presence of foreign forces is not the litmus test, but their use when it comes to internal security surely is. Are they to take orders from the independent government? If so, how can France guarantee the position of the settlers after independence? If not, how can the state be called sovereign?

The Times thought the proposals for a subsidiary special status within a special status for Noumea 'bizarre'. All in all, the proposals reminded the British too much of Cyprus or the communalism of Ulster.

Shortly after Mr Pisani returned to Paris at the beginning of April the journal *Valeurs Actuelles* leaked a French Defence Department study calling for a large naval base at Noumea to accommodate nuclear submarines, the enlargement of the airfield at Tontouta and the stationing of several thousand military personnel in what observers saw as 'a giant aircraft carrier of 19,000 square kilometres' situated on the junction of the major sea lanes in the South Pacific. Four thousand *Caldoches*, calling themselves 'Friends of the US', staged a rally in Noumea calling for US intervention to make New Caledonia its fifty-first state. At the end of April, Prime Minister Fabius presented a revised plan for New Caledonia which proposed a referendum on self-determination by the end of 1987 and in the meantime the creation of four Regional Councils to be elected in August 1985 which in turn would elect a Congress to replace the Territorial Assembly which would serve on an interim basis until the 1987 referendum. The plan also made gestures towards economic, social and cultural advancement for the Kanaks, but at the same time envisaged the reinforcement of the French military presence.

There was a riot at Noumea when French nuclear submarines visited at the beginning of May 1985, and feelings were not soothed either in New Caledonia or the region when the Defence Minister, Charles Hernu, visited and said emphatically 'The retreat of French soldiers from New Caledonia is non-negotiable. France is there for another 20, 30 or 100 years.' Meanwhile the revised proposals ran into trouble in Paris where the French National Assembly modified the powers of the Regional Council and created Councils of Chiefs in the regions. The FLNKS held its congress at the end of April to decide whether or not to boycott the August elections. The moderates prevailed and it was decided to use the 'regionalisation' proposals as a means towards independence.

On the eve of the tenth anniversary of French underground tests in the Pacific, France exploded its seventieth nuclear device at Mururoa despite continuing objections led by New Zealand. The French Senate sent a delegation to New Caledonia in July and later in the month the Senate referred the New Caledonia legislation to the Constitutional Council on the grounds that the electoral rearrangements in favour of the constituencies outside Noumea created imbalances. Pisani was

replaced by Fernand Wibaux, former French ambassador to Lebanon, as the *Rainbow Warrior* was blown up in Auckland harbour.

Soon after the South Pacific Forum met in Raratonga and failed to strongly endorse the campaign to have New Caledonia reinscribed on the UN's list of colonial territories, the French Constitutional Council declared the New Caledonia Bill unconstitutional because it would disadvantage the white settlers. Anthropologist Jean Guiart claimed that the *Caldoches* electoral roll was inflated while young Kanaks in particular had not been registered on their rolls. The French Right had every interest in prolonging the situation to prevent a resolution before the March 1986 National Assembly elections, but Mitterrand called an emergency session of the National Assembly in late August and the Bill was passed. The referendum was set for 28 September. The French role in the sinking of the *Rainbow Warrior* was becoming more apparent every week, but while Defence Minister Hernu eventually had to resign, the government survived and very few observers clearly understood the connection between the Greenpeace campaign and the decolonisation struggles in the French and American nuclear testing sites in the Pacific.

Voter turnout on 28 September was estimated as between 80 and 90 per cent. The settler party RPCR won twenty-five of the forty-six seats but only one of the four regional councils, Noumea. The FLNKS won not only the two regions they were expected to take, but also, the third, the central region or satellite region around Noumea. The Kanaks thus won control of the local level councils, but the RPCR settler interests hold a majority in the interim Congress.

Some observers saw the French strategy as one to 'gradually increase autonomy before a referendum on independence is held by the end of 1987' (*Sydney Morning Herald*). Others thought the FLNKS has locked themselves into agreeing to the enfranchisement of recent arrivals on the island that would trap them if the act of self-determination is ever held. Most saw it as a delaying tactic on the part of the French and wondered if the Kanaks had agreed to it because the loss of their military wing with the death of Machoro had taken away their will to fight other than at the ballot box. Few saw it as an enduring solution. The RPCR's Lafleur called it a 'completely mad' gerrymander. Prime Minister Lange, champion of Pacific denuclearisation but not necessarily decolonisation, said hopes for a middle ground were dashed by the election results. What nobody could deny was that the FLNKS held at least eighty per cent of the support of the Kanak people of New

Caledonia. The question for them to decide before the end of 1987 is how far they want to go with that mandate.

Whoever wins the March 1986 elections in France will not be able to just wish the New Caledonia problem away. As a moderate opposition leader told Ingrid A Kircher in April 1985: 'The [French] opposition is making politics using the New Caledonia issue as a trampoline. But if they have the New Caledonia problem on their hands when they come to power, it will not be easy for them.'

The troubled course of Colombian peacemaking

The Colombian M-19 movement assaulted the Palace of Justice in the centre of Bogotá on 6 November 1985. After little more than a day the affair was over, at great cost in human life—the M-19 guerrillas themselves, their hostages (including a good proportion of the judges of the Supreme Court), guards, police, army. A week later the Nevado del Ruiz volcano erupted, causing a mud-slide that buried the town of Armero and killed some 25,000 people. The Armero disaster thrust into the background the events of the Palace of Justice. Those events themselves had been so swift that the outside world had had little chance to ponder what might be behind them. The M-19 had miscalculated—it had clearly expected to reap a rich harvest of publicity in the course of prolonged negotiations, as it had for eight weeks in 1980 by holding captive a number of ambassadors in the residence of the Dominican Embassy. Thus, at the end of a disastrous month the situation in Colombia had by no means been made clearer. Situations elsewhere in Latin America where guerrillas are active—Peru, El Salvador, Nicaragua—are by no means clear either, but they are less obviously perplexing than the affairs of Colombia.

Colombia combines high levels of civil liberty and democratic practice—a free and varied press, freedom of association and organisation, independent trade unions, frequent and regular elections (the most consistent record in Latin America), a party system in which there is much competition and in which careers are certainly open to talent—with persistent political violence and the longest guerrilla history in the hemisphere. President Belisario Betancur, who took office in August 1982, has undoubtedly (many polls are taken in Colombia) been the country's most popular President for many years, and his presidency has been characterised above all by his drive for an internal peace settlement. Why then did November produce scenes of such spectacular violence? How did three years of negotiation, truce and dialogue end in such bloody misunderstanding and miscalculation? The pessimists in Colombia now declare that, logically, the republic will now go the way of 'either El Salvador or Argentina'. But republics are not works of logic, and Colombia is not like either El Salvador or

Argentina in social structure or in institutions. If there is much reason for pessimism, then which pessimists are right? Some general knowledge of the republic's past history is needed to begin to answer these questions, and to set the current actors—the government and the civilian politicians, the army, the revolutionaries, the civil population (urban and rural), outside influences, drug-traffickers and other criminals—in context.

The Historical Background

Colombia has a long history of political violence. In the nineteenth century this took the form of frequent civil wars between Liberals and Conservatives, which left a complex pattern of sectarian antagonism and mistrust throughout the country. The parties were loose coalitions of regional groups, not defined by any class lines, but conflict had the effect of spreading allegiances far and wide, if only for defensive purposes, and most Colombians and most districts came to have little doubt on which side their loyalties lay. In the early years of this century conflict was muted by arrangements for minority representation, but it revived after 1946 in acute form, intensified by wider popular participation. Strife between the parties produced a short-lived military government between 1953 and 1957 under General Gustavo Rojas Pinilla—the first army government for a hundred years. The number of dead between 1946 and 1957 cannot be precisely calculated, but ran into tens of thousands. Numerous guerrilla bands came into existence, predominantly Liberal in political colour; the best organised, those of the *llanos orientales* or eastern plains, numbered several thousand. In 1957 the leaders of the two traditional political currents agreed on a 50-50 power-sharing coalition, the *Frente Nacional*, to oust the army and to bring an end to *la violencia*. Some Liberal guerrillas had already accepted an amnesty offered by Rojas Pinilla in 1953. Others now accepted a new amnesty. Others did not: some became bandits, and most of these were killed in the 1960s; some remained without amnesty under revolutionary colours—the Colombian Communist Party had established here and there a rural presence in earlier decades—and the majority of these went on to form what in the early 1960s emerged as the *Fuerzas Armadas de la Revolución Colombiana*, the FARC. The early 1960s also saw the emergence of the Castroite ELN and the Maoist EPL. In choosing their areas of operation these groups studied what had gone before. The origins of the M-19 were different. That group

emerged as a response to the elections of 1970, when divisions in the Conservative party and Liberal indifference to the Conservative candidate of the *Frente Nacional* led to a surge of support for the opposition led by General Rojas Pinilla—like Perón, though to a much lesser degree, the General enjoyed the advantage of being officially proscribed. The *Frente Nacional* won only on a narrow and dubious margin, and the M-19 was formed to undertake an extra-legal response to those it alleged had themselves defrauded the popular vote.¹

That is the barest outline of events up to the beginning of the 1970s, but it helps to explain some characteristics of the present Colombian scene. First, the persistence of politically motivated violence—Liberal, Conservative, revolutionary or reactionary—combined with a high level of violent crime, blunts the sensibilities. Guerrillas have a far greater impact, at least initially, in places previously at peace. There have been so many guerrillas intermittently operating in different parts of Colombia that it is only extreme actions that produce any *frisson*. It is perhaps partly that consideration that governs the decisions of the M-19, but it also explains the lack of success that the 'small motor' of the guerrilla—to fall back on the *foco*-theory terms of the 1960s—has had in starting up any 'large motor' that might be better geared towards changing the Colombian political system.

Secondly, though there have been vast changes in Colombian society in these decades—one need only mention the extraordinarily rapid rate of urbanisation and secularisation—the guerrilla situation has remained relatively static. No one knows exactly how many guerrillas there are in Colombia, and the best-informed guesses depend on more-or-less arbitrary definitions of what constitutes a combatant, but there may

¹ A useful compendium of recent Colombian history is A. Alape, *La Paz, La Violencia. Testigos de Excepcion*, Bogotá: Planeta, 1985.

There is a large literature on the complex phenomena of the *violencia*; four useful introductions are P. Oquist, *Violence, Conflict and Politics in Colombia*, New York: Academic Press, 1980; R. W. Ramsey, 'Critical bibliography on la violencia in Colombia', *Latin American Research Review* 8(1) Spring 1973; J. Henderson, *Cuando se Devangro Colombia*, Bogotá: El Ancora, 1983; G. Sánchez and D. Merritts, *Bandoleros, Gamonales y campesinos*, Bogotá: El Ancora, 1984 (introduction by E. J. Hobsbawm).

A superb analysis of the origins and development of violence in a single region is C. M. Ortiz S., *Estado y Subversión en Colombia—La Violencia en el Quindío en los años 50*, Bogotá: CEREC-CIDR Universidad de los Andes, 1985. Explaining the *violencia* requires that sort of patient analysis of the history and society that produced it. A simple enumeration of, for example, social inequalities in the countryside does not explain Colombian violence at all, many regions of Latin America share such inequalities with Colombia but are nowhere near so violent. Current guerrilla activity also requires detailed sociological and historical analysis for its explanation. This short article can only offer some hints.

well be less than ten thousand in all groups, including the M-19 which does not fall within the usual definitions of either 'guerrilla' or 'terrorist'. For what such a calculation is worth, there may have been more guerrillas per capita in the 1950s. Colombia is the fourth largest Latin American republic in area, and has a population of 27 million.

Thirdly, there is a long tradition of both civilian dominance in politics and of negotiation with guerrillas. The influence of the armed forces is not negligible, and it has had its high points as well as its low points since the brief military government of the mid 1950s, but the theorists of creeping militarisation, though they are numerous on the Colombian left, are faced with much that they cannot explain—most obviously the election and policies of President Betancur. In the matter of negotiation with opponents in arms, one jurist has counted sixty-seven *indultos* and *amnistías* (pardons and amnesties) in the hundred and sixty years after 1821.

Some general considerations about public order should be added. Given the size of the republic, the wildness of much of the terrain, the existence of many frontiers with the conflicts frontiers imply, the far from deferential culture of much of the population, the easy availability of arms and the history of civil war and sectarian strife, Colombia has always been a lightly policed and a lightly garrisoned country. The police enjoy neither popularity nor prestige. Since the Bogotá riot of 9 April 1948, when in the chaos that followed the assassination of the Liberal leader Jorge Eliécer Gaitán the largely Liberal police went over to the rioters, they have been under the control of the Ministry of Defence. They have yet to find the right balance between national and local control, and they are ill-paid and ill-equipped. Reforms have been seriously begun, but will take some years to overcome public apathy and hostility—Colombians are far more ready to admit that subversion and crime are not just a problem of policing than they are to recognise that proper policing is an essential part of any solution. The police have suffered particularly heavily at the hands of the M-19 this past year, as their small detachments are an easy target.

The armed forces of Colombia have more extensive counter-insurgency experience than any other Latin American army with the possible exception of Guatemala. Numbers were small up until the 1950s—a few hundred officers and less than ten thousand men—and a professional military career carried little social prestige (the renowned generals of the civil wars had been essentially civilian amateurs). The size of the establishment has since increased to 72,500, and professional

capacity has improved.² The army now recruits *bachileres*, the qualified sons of better-off Colombians, as well as peasants, a significant and necessary advance. It has begun to remedy its greatest weakness, reliance on one-year recruits and lack of highly-trained long service soldiers in the ranks.

The army has had considerable practice in supporting the civil authorities in the control of urban disturbances, and usually handles these well. It is obviously capable of containing the stolid rural guerrillas of the FARC, and there is plenty of evidence to show that its most lucid minds do not consider that purely military solutions to these problems are likely to succeed. There are two marked traits visible in Colombian military ideology. One is anti-communism—they consider that Colombia is already to some extent involved in the East–West conflict, and that communism is an un-Colombian ideology; the second is an insistence on the role of the armed forces as upholders of the Constitution. ‘National Security’ doctrines can be found in Colombian military writings, but so can criticism of them. Increased military powers under a state-of-siege and the use of military courts for cases of subversion have commonly been given as examples of military encroachment on the civilian sphere. It is however civilians who impose the state-of-siege and who decide on the use of military courts; the latter are not universally popular among army officers.

Colombian civil government enjoys a high but not perfect degree of legitimacy. Elections are free and competitive, but the showing of the left is generally poor. Though they are far from monolithic—indeed, because they are not monolithic—the traditional parties dominate the polls, and critics ascribe this to an all-pervasive ‘clientelism’, the catch-all explanation of recent years, and to their superior access to the *maquinaria*, the machinery of government patronage. This is by no means a complete explanation—both traditional parties possess, apart from patronage, some extremely effective politicians—but it is widely believed. Abstention in elections is also high. The voting age is eighteen, the vote is not obligatory and Colombian parties are not rich.

² Total Armed Forces 72,500; Army 57,000. Figures from A J English, *Armed Forces in Latin America*, London: Jane’s 1984. For the role of the army up to the early 1970s see R Maullin, *Soldiers, Guerrillas and Politics in Colombia*, Lexington, Massachusetts: D C Heath, 1973. General (retd) J J Matallana, *Alternativa del 84. Paz o Guerra*, Bogota: Canal Ramirez-Antares, 1984, is an incisive essay by a distinguished soldier.

In a recent survey by the Colombian subsidiary of Gallup into citizens’ confidence or lack of it in national institutions the Army ranked third highest after educational establishments and the Church. See *Semana*, 16 December 1985.

The result is that half or more of this theoretical electorate does not vote. Under a sophisticated analysis the Colombian participation figures do not look so exceptional, but not all analysis, either revolutionary or academic, is sophisticated.³ Few Colombian politicians do not dream of making the break-through that will mobilise these reluctant potential voters, generally located in the new population of the cities. A proportion of this larger urban population consists of a much expanded middle class, which has been little studied, but which is not the same as the much smaller and more dependent middle class of forty, thirty or even twenty years ago.

The conjuncture of 1982

Julio Cesar Turbay Ayala, the candidate of the Liberal party, was elected President in 1978. A man of comparatively humble origins, he was perhaps the first Colombian politician of less privileged background to reach the presidency through his own political strength. He was a single-minded machine politician, and his chief appeal was to politicians of similar type. There are many of these in Colombia, though one cannot say that they are all popular. Though Turbay was, and remains, a much more representative figure than his left-wing or upper-class critics recognise, his government was lack-lustre all the same, and was early on assailed by the M-19. The movement stole thousands of weapons from the army arsenal in Bogotá shortly after his election. It survived the subsequent capture of most of its members and, ostensibly to free them from gaol, held the assembled ambassadors to ransom in the embassy of the Dominican Republic during March and April 1980. With some support from Cuba the M-19 a year later in March 1981 mounted a small guerrilla invasion in the south of the country close to the border with Ecuador. Colombia thereupon severed relations with Cuba. President Turbay offered guerrillas an amnesty (Law 37 of 1981), but its provisions were not considered ample enough and it was overshadowed by his *Estatuto de Seguridad*, passed with military approval after the arms robbery. The political moment for amnesty was certainly not ripe. The *Estatuto de Seguridad* perhaps made little practical difference to security, but it was criticised as an exceptionally repressive measure.

³ But see M Latorre Rueda, *Elecciones y Partidos en Colombia*, Bogotá: Universidad de los Andes, 1974 and his essays in *Política y Elecciones*, Bogotá: Universidad de los Andes, 1980. For an English text, R A Berry et al (eds) *The Politics of Compromise: Coalition Government in Colombia*, New Brunswick NJ: Transaction Books, 1980.

Colombia's human rights record is not perfect—it is, for example, not as good as Venezuela's—but there has never yet been anything approaching systematic repression of civilians by soldiers and police on a Southern Cone scale. The *Estatuto* did not stop the M-19 lobbing mortar-bombs at the presidential palace. There was no censorship of any sort and criticism of the government was continuous, merciless and personal.

To the government's internal difficulties should be added international isolation. Colombia had differences with Nicaragua over the islands of San Andres and Providencia and over various lesser islands and keys, and was disappointed that the US did not on this question reciprocate the general support that Colombia gave to her on inter-American matters. Colombia had problems with Cuba: the Cubans considered that Colombia's competition for a seat on the UN Security Council was inspired by Washington; they gave the M-19 guerrillas of the Dominican Embassy asylum and a heroes' welcome to Havana when that siege was brought to a negotiated end and supported their incursion into the Putumayo. Colombia had also taken the most pro-British line of all the Spanish American republics except Chile during the Malvinas/Falklands War, in sharp contrast to Venezuela, with whom Colombia has unresolved border differences. In 1982 the republic looked dangerously alone. Some of the danger lay in Central America, and not just in the form of Nicaraguan claims to Colombian islands. Colombia might become a target for subversion from Central America. Both guerrillas and army watched Central America developments with interest: a guerrilla victory in El Salvador would undoubtedly have had a most powerful effect in Colombia—in that sense the republic was the largest though the least-pondered 'domino' in the area.

Belisario Betancur

Belisario Betancur, the Conservative candidate, won the presidential election for the 1982–86 term against a divided Liberal party. It was his third attempt. The most conspicuous plank in his platform had been low-cost housing, but his vast popularity derived not from any specific promise, nor from his humble origins and approachable nature, but primarily from his position as the opposition or 'non-continuist' candidate at the end of the Turbay government. Dr Alfonso López Michelsen, his principal opponent, was running for a second term—he

had been President from 1974 to 1978—and could not distance himself from the Turbay administration and its reputation for corruption, inertia and heavy-handedness. Though it had been Dr López who first argued the urgent need for a new drive for peace and attracted the support of many intellectuals by doing so, including that of Gabriel García Márquez, it was to be Betancur who from the start of his administration made the cause his own. Enjoying support in opinion polls at unprecedented levels and a master of public relations, he made the subversives offers that they could not refuse. He captured the initiative, and for the first time in many years it was the government and not the guerrillas that issued the challenges. The peace process involved many actors, and to understand its evolution one must examine the antecedents of the different guerrilla groups, the problems posed by death-squads, the cocaine mafia, the attitude of the armed forces, the numerous and intractable practical problems posed by peace-making, and the course of public opinion. The account of guerrillas and subversives that follows is necessarily tentative, as reliable information is not easy to come by and unreliable information abounds. I have tried to gain insights from their apologists and propagandists, who have had no cause to complain of not getting a hearing in the last two years.

FARC

The *Fuerzas Armadas de la Revolución Colombiana* are the oldest and largest guerrilla organisation in Colombia. Their origins can be traced back to the 'classic' *violencia* of the 1950s, and their literature emphasises their origins in peasant self-defence—*autodefensa campesina*—against the army in the Rojas Pinilla years and in 1964–1965 when it took the offensive against several so-called 'independent republics' in the departments of Tolima and Huila. The FARC provide the revolutionary credentials of the Moscow-line Colombian Communist Party, which would hardly appear revolutionary without such a link. The organisation claims to control twenty-seven fronts, but these vary in numbers and combativeness. In some areas the FARC are well rooted in the local population, though this probably owes more to organisation than enthusiasm. They recruit using methods similar to those of the regular army: local census, allocation of quotas of recruits, payment to their families. Discipline is severe, and there is formal indoctrination. They have raised funds from the *boleteo* or *vacuna* (vaccination)—demands on landowners—from kidnapping and from

levies on cocaine growing. The rural guerrilla is now thought to be richer than the urban party. The visible commander is the veteran Manuel Marulanda Vélez, *Tirofijo*. He has a legendary reputation for survival, but his pronouncements show a certain modesty about his own talents and about the degree to which the FARC pose an immediate threat to the army and the status quo. The FARC are far less aggressive than the M-19, some of whose leaders are ex-combatants of the FARC who left out of impatience. Something of the aura of *autodefensa* still pervades them. The army nonetheless in 1982 considered the FARC the most formidable long-term threat, and was more sceptical about the possibilities of a truce with them than about one with the M-19. This may have been because the army sees them as part of a wider communist strategy.

In the last three years it has clearly not been in the interests of either Cuba or Nicaragua or the Soviet Union that the FARC should be seen as making life difficult for the Colombian government, a leading member of the Contadora group and an advocate of negotiation in Central America. Many speculate that the FARC's adherence to the truce derives from orders from above and from abroad. There is no clear evidence for this argument, but it is plausible. It is not incompatible with other reasons: an ageing leadership conscious of military stalemate; the possibility of political gains to be made in local consolidation and in publicity that pictures the FARC as the senior, the 'responsible' guerrilla. The FARC gained a deal of such publicity when they became the first guerrillas to sign a truce with Betancur's peace commission at La Uribe, Meta department, on 28 March 1984.⁴

The M-19

The 19 of M-19 refers to 19 April 1970, the date of the presidential election of that year in which the followers of the then populist General Rojas Pinilla were allegedly robbed of victory. The movement has essentially Colombian origins, and its leaders have always insisted on its national and nationalistic character. It cannot be easily classified as a guerrilla or a terrorist movement. It has sometimes operated in the rural guerrilla mode, as in the Caquetá and in parts of the Central Cordillera, but its most spectacular operations do not follow normal guerrilla

⁴ The FARC's view of itself is reported in C Arango Z., *FARC Veinte Años. De Marquetalia a La Uribe*, Bogotá: Ediciones Aurora, 1984.

tactics. It kidnapped and murdered the trade union leader Raquel Mercado, but later confessed that the murder had been an error. Certain leaders, for example the late Carlos Toledo Plata, have been sincere in regarding clandestinity as merely an episode in lives they meant to dedicate to open political proselytism. From its origins it has shown of all the Colombian groups the greatest appetite for publicity: it stole Bolívar's sword, it tunneled into the Bogotá arsenal, it seized the Dominican Embassy. Its principal figure before he was killed in a plane crash in 1983, Jaime Bateman, was publicity-conscious to the verge of narcissism. The Colombian press, beginning with the Conservative *El Siglo* and including widely selling and unrevolutionary magazines such as *Cromos*, published extensive interviews with the movement's leaders, interviews granted from clandestinity or from gaol. (Many leaders have been in gaol more than once: the leniencies and complexities of Colombian law make it hard to keep anyone inside long.)

Despite all this publicity, it is hard to discern the exact aims of M-19 beyond such conjunctural objectives as the release from prison of members of the movement. There is an emphasis on nationalism, but this is not expressed in any concrete programme. The Colombian economy has always been largely in Colombian hands, and there is little xenophobic or anti-American feeling in Colombia. Nationalism is therefore the harder to articulate. There is also an emphasis on improvisation and on participation. The M-19 sees itself as agile, capable of surprise, inspirational, even *folclórico*, the political heirs of García Márquez's Macondo. One leader likens making the revolution to cooking a stew, with no fixed recipe but with this and that and the genius of the cook. The M-19 criticises the FARC's military posture as posing no real threat to the army at all—'In Colombia there are guerrillas in all the departments and nothing happens at all; the army has them all completely under control.' (see note 5) The political antecedents of the leaders are varied, and nothing useful can be deduced from their social origins. The movement's origins in an electoral frustration, that of 1970 which had ceased to have any meaning by the 1980s, and their insistence on participation made them look more promising material than the FARC for re-entry into unarmed politics, or at least politics where the guns did not go off. However, 'participation' was not defined.

The numbers of the M-19 are as hard to gauge exactly as those of the FARC, harder in that the FARC are relatively static. My impression is

that in the M-19 a core of leaders and veterans—no single figure has replaced Bateman—manage a more fluid rank-and-file. The M-19 has taken heavy losses but replaces them with apparent ease. It has rural contingents in Cauca and Valle some of the ranks clearly come from Indian Tierradentro—but the bulk of the membership is urban or small town. They are also most of them adolescent, of both sexes. The mid-teenage *guerrillero* features in the propaganda of both FARC and M-19. Young people are easily induced to join—anyone who has seen Colombian guerrillas on the frequent recent occasions on which they have been visible will have noticed that they are conscious of the glamour of arms and uniforms—and it is not difficult to launch them into the bloody confrontations that are an M-19 speciality. It is because they are so young, not because they are so fanatical, that they enter these fights in which so many get killed. In some *municipios* support for the M-19 among the young is notorious, and a vicious circle of unemployment, subversion and repression can be created. Yumbo, a large industrial suburb outside Cali, is such a case. In August 1984 the M-19 'took' Yumbo from within, and radioed the army to come and fight. The M-19 is not short of funds, which are obtained by robbery, kidnapping, extortion and, in all probability, drugs. It is not an austere puritanical movement. At the end of the Turbay government one of its leaders confessed that

making a revolution costs a lot of money. In seven and a half years I think we have spent around a hundred million pesos . . . at least seventy million pesos we invested in houses, cars, apartments which the army has taken. You can't have centralised accounting when you work illegally . . .

(Even the FARC nowadays confesses to expensive tastes such as faded blue jeans, Marlboro', tape-recorders, canned beer and Coca-Cola.)⁵ The old pretence that arms come from the enemy has been abandoned. Arms are bought. The M-19 signed the truce on 24 August 1984 at Corinto (Valle) and El Hobo (Huila).

Other groups

The *Ejército de Liberación Nacional* (ELN) and the *Ejército Popular de Liberación* (EPL) are smaller and more geographically restricted in their operations than the FARC or the M-19. The ELN was founded in

⁵ Quotations on M-19 from P. Lara, *Siembra Vientos, Recogerás Tempestades*, Bogotá: Editorial Fontamara, 1982, pp. 93, 120; on FARC's tastes, C. Arango Z., *op. cit.*, p. 19.

the mid-1960s under Castroite inspiration, and the group in which Camilo Torres spent a short time before he was killed. It became notorious for internecine arguments and executions, but survives and refuses any part in the peace process. The EPL is Maoist, now presumably of the Albanian persuasion. It has participated in the truce, and is held to be the one movement that has resisted any involvement with drugs.⁶

There are several more shadowy revolutionary organisations or criminal conspiracies masquerading as revolutionary organisations, and these have increased in number as the peace negotiations have excited divisions within the guerrillas.

The MAS

The *Movimiento Anti-Secuestros*, MAS, is a death squad ostensibly formed to execute kidnappers—since the mid-1960s Colombia has come to have the highest kidnapping rate in the world; most kidnappings are not politically motivated but kidnapping may well be the principal source of guerrilla funds in the last decade. Early in the Bentancur government the *Procurador* revealed that fifty-seven members of the armed forces were listed as under suspicion of complicity with its activities. Other para-military groups have gained notoriety, for example the *tiznados* of the Middle Magdalena, who blacked their faces. In that region all sorts of violence prevailed in the first months of 1984, variously explained as a counter-blast of landowners against guerrilla exactions, a concerted land-grab with the connivance and participation of the army, a purge of local peasant and trade union leadership Violence produces a dense fog. Though little can be said about them with any certainty, the existence of such groups as the MAS poses an obvious threat to the success of an amnesty. It is an article of belief on the Colombian left that the leaders of the Liberal guerrillas in the *llanos orientales* who accepted amnesties in the 1950s all met violent ends. The government is undoubtedly sincere in offering guarantees, but it has enemies that wish to make them ineffective.⁷

⁶ The EPL has now abandoned the truce, one of its principal spokesmen, Oscar William Calvo, was assassinated in Bogotá in November 1985.

⁷ Violence does not only produce a fog in the Middle Magdalena. In Cauca in the south at least half-a-dozen organisations claim to be active, and it is no longer possible to do more than speculate from a distance on who is doing what to whom or why. Colombian anthropologists long familiar with the area can no longer work in many districts. It is not a reactionary fiction that there is acute conflict between different guerrilla organisations and often within a single guerrilla organisation any more than it is a revolutionary fiction that death-squads exist and that amnestied guerrillas have been murdered by them.

The Mafia

It had been known for some time before President Betancur assumed office that there were links between the guerrillas and the cocaine trade. Some sources indicate that the FARC was initially opposed to coca cultivation for cocaine, but that the movement thereby brought on itself the hostility of both those growing the coca and the Mafia. It was more expedient to tax and control production. In its first years the Betancur government chose for the sake of peacemaking not to draw attention to this connection, and the emphasis placed on it by US Ambassador Lewis Tambs was considered unhelpful, or even an attempt to sabotage a negotiated settlement with the guerrillas of a type that the US opposed in Central America. Whatever Ambassador Tambs' motives were, few would now deny that his facts were correct. The FARC makes money out of coca, but is careful not to involve itself further. The M-19 has been careless: the late Ivan Marino Ospina declared his support for the Mafia's threat to kill Americans resident in Colombia in reprisal for the extradition of Colombians to the US; the other leaders made him recant, but it was a damaging mistake. Many commentators on the M-19 assault on the Palace of Justice sought an explanation related to drugs: the M-19 had been paid to carry out the operation by the Mafia to bring a halt to extraditions by destroying the records. The explanation is far-fetched, as the seizure of the court is better explained by their need for a major propaganda success, but many papers were certainly destroyed. Whatever the exact relationships are, there is no doubt that the illegal resources of the drug traffic have both helped subversives obtain a steady supply of modern weapons—an M-16 rifle '*puesto en Bogotá*' (placed in Bogotá) is said to cost US\$1,000—and that the drug trade has contributed to the atmosphere of menace and corruption in which all sorts of extremism can flourish.

The course of the truce

The FARC, as has been noted, signed a cease-fire in March 1984. There have been occasional skirmishes with the army on some fronts, and not many landowners within the FARC's reach would agree that they have ceased operations, but on the whole, with the main body of the movement, the truce has held. They have begun the formation of a legal political arm, the *Unión Patriótica*. Dissidents have formed the Ricardo Franco Front which insists on continuing the armed struggle, and there has been some fighting and executions within the guerrilla. ('You have

to realise,' said one well-placed official observer, 'that the Colombian guerrilla is even more disorganised than the Colombian government.' The comparative quiescence of the FARC remains the most important tangible achievement of Betancur's search for peace.

The M-19 did not sign a cease-fire agreement until August 1984, and it announced that it considered it broken in June 1985, less than a year later. The movement gave as its reasons for resuming the struggle the killing of M-19 members. One prominent leader, Carlos Toledo Plata had been shot before they signed the truce. An attempt was made on another, Antonio Navarro Wolf, shortly before the announced resumption of hostilities, and there were other losses. The evidence however points more towards miscalculation than to frustration for an explanation of the June decision.

The M-19 pursued an erratic course after August 1984, and many of its actions were deliberately provocative towards the armed forces. It claimed the right not only to uniforms and arms—a thorny enough question—but to a fortified encampment with mined approaches, which was certainly not envisaged in the truce agreement. It began to organise *barrios* in Cali, but in an ambivalent para-military manner—the ambivalence about 'fighting for peace' is apparent in the movement's propaganda. Enrique Santos Calderón, a journalist and member of several peace commissions, contrasts its attitude with that of the FARC. The FARC also invokes its numerous dead and the aggressions it has suffered in this never-perfect cease-fire. But it does so with the experience and realism of an essentially peasant movement with more than twenty years struggle behind it, which knows that this famous peace implies a long slow haul, with many interruptions. The M-19 makes its allegations with all the impatience and indignation of an urban militancy, intellectualized and demanding which appears to believe that peace crowned with noble social reforms and impeccable democratic openings is just round the corner.⁸

The demands of the M-19 were made as if the movement was the arbiter of the situation, or at least as if it was the government's equal interlocutor. The leaders seem to have been convinced of their own overwhelming popularity, to have taken the prudential tolerance and passing goodwill that the inhabitants of such towns as Corinto showed them as evidence of profound popular support, to have generalised

⁸ E. Santos Calderón, *La Guerra por la Paz*, Bogotá: CEREC, 1985 (prologue by G. García Márquez), p. 259. This book contains in an appendix the principal documents of the truce. For the M-19's view of it before they resumed hostility, see *Corinto*, Bogotá: Ediciones Macondo 1985.

from Yumbo. They may have decided to break the truce in June 1985 on the calculation that the general strike announced for 20 June would lead to some sort of general upheaval, or at least a repression that would swell their ranks. What happened, and what continued to happen as they skirmished with the army and police in the Quindío and in Valle, was that their arrogance and impatience rapidly eroded their credibility and popularity. This was apparent in the universities, where their audiences dwindled and even turned hostile: in the climate of liberty and respect that Betancur fostered people felt a right to their own opinions, and resented the M-19 style of providential dictation. Public opinion was not with them when they broke the truce: in their raids on virtually defenceless provincial police posts, it was even for once on the side of the police. They miscalculated their political support, and raised the stakes continually with no regard for either the delicacy of Betancur's political position, which they weakened by making him look a dupe, or for the obvious limitations of his constitutional powers. This miscalculation was to become fatally obvious in November.

Prior to November those who wished to excuse the M-19 for breaking the truce—and peace being the wish of most Colombians, excuses were necessary—would blame the armed forces for their lack of conviction about the possibilities of peace and for underhand harassment of the guerrillas. Many officers recognised that the alternative to some sort of political solution to the guerrilla problem was a confrontation that even if it did not get worse would go on draining resources and distracting the armed forces from more important tasks. The Malvinas/Falklands War made all Latin American armies acutely conscious of their weaknesses, and the Colombian army was no exception; the Nicaraguan claim to Colombian islands had intensified Colombia's strategic concerns. Yet soldiers inevitably disliked many aspects of the internal peace-making. As any army in similar circumstances would, they found it hard to stomach any implied 'no go' areas and the guerrilla insistence on making a show with arms and uniforms. The new civilian enthusiasm for 'Don Manuel', the dignification of the enemy, struck them as civilian ingratitude and naivety. It is the army and the police that take the losses, not the politicians.⁹ The army was also in many respects better informed than

⁹ L. Santos Calderón quotes Ministry of Defence figures as 603 guerrillas, 284 army and police dead between July 1984 and July 1985, p. 28. (Cf. 1981 sixty-seven army and police dead, 1982-fifty-one, 1983 eighty-five; official figures from *El Mundo*, Medellín. Documentos No. 82, 23 July 1985, 'La Reforma Política y el Proceso de Paz' y 'La Paz en Citras', *El Tiempo*, Lecturas Dominicales, 30 June 1985, also shows an ascending curve of military and police deaths under the Betancur administration, but declining curves for assaults, terrorist acts and civilian deaths from political causes up to that date. Kidnappings increased.

the civil government about the guerrillas. Though his judgement of the needs and possibilities of the political moment is hard to fault, Betancur may have overestimated guerrilla coherence and maturity, and he was not at this best in handling military sensibilities. It would have been better if the conditions needed for the peace agreements could have been secured without the visible friction that led to the dismissal of his first Minister of Defence early in 1984 for speaking out of turn. The Colombian army *no es deliberante*: it is constitutionally debarred from uttering opinions, although its commanders, and particularly the Minister of Defence, are under constant pressure and temptation to do so. The dismissal of General Landazabal did still most military criticism, though his successor referred pointedly to the articles of the Constitution that reserve the carrying of arms and the wearing of uniform to the armed forces. As the peace process ran into increasing difficulties the army's prestige rose. It gained respect by keeping its annoyance within strict constitutional bounds and by maintaining a constitutional silence. Though it might have been possible to have involved the army more positively in peace-making, the critical failures of the past eighteen months cannot be attributed to military hostility or indifference. The M-19 goaded the army much more than the army goaded the M-19.

The Betancur administration was further criticised for a lack of central control over the process, for not providing an adequate system of civilian supervision and verification, for not putting enough money into rehabilitation schemes, for being ill-defined about the 'national dialogue' particularly desired by the M-19, for insufficient agility with the sort of localised agrarian reform that certain areas demanded.¹⁰ Colombia has a highly critical political atmosphere (an assertion that can easily be tested by a visit to Venezuela or Ecuador) and economic conditions give Betancur little room for manoeuvre. All he could spend, in the phrase of one sympathetic critic, was his popularity.

The seizure of the Palace of Justice and the Armero disaster

When the M-19 seized the Palace of Justice on 6 November 1985 there was no possibility that the President could have negotiated anything but a rapid surrender of the assailants. Their challenge was not for some

¹⁰ For a good sample of these debates see C de la Torre, *Reformas Políticas—Apertura Democrática*, Bogotá: Editorial Nikos and Editorial Oveja Negra, 1985.

provincial *modus vivendi*, but attacked the heart of a republic quite as legalistic as any European state—the legal strand is one of the strongest in the Colombian political tradition. The President's authority would not have withstood a prolonged negotiation such as the M-19 had in mind, let alone the absurd concessions that they demanded. Apart from the usual provision of massive publicity, these included a 'trial' of his management of the peace negotiations, to be conducted under M-19 supervision.¹¹ It was not only the army that demanded a quick solution. The reaction of the general public in Bogotá was that the M-19, a movement that had repeatedly defrauded the hope for peace and abused the President's trust, had now flagrantly overstepped the bounds of the negotiable by an act of violent defiance in the centre of the capital—the Palace of Justice flanks the Plaza Bolívar opposite Congress, within a couple of hundred yards of the Palacio de Nariño, the Presidency. The Supreme Court is an independent body, which has on occasion inconvenienced presidents and generals. Bystanders applauded the troops at the siege, and on their way north through the city back to barracks. Of course, no one can say whether they were a representative sample, and they applauded before it was known how many had died in the operation.

Once it was known how many lives had been lost opinion divided. The President's critics now said that he should have prolonged the negotiations to save the hostages, that he had lost control of the siege to the army, that prior intelligence about the attack had been ignored. He was declared *persona non grata* by one university—the *Externado*, which has a strong law tradition—and the judiciary went on strike. The family of only one of the judges killed attended the state requiem. The army was seen as having been greedy for an 'Entebbe' and to have failed to achieve one. Sinister rumours spread about what had happened in the heat of the battle and in the aftermath. As Dr López commented, '*el éxito tiene muchos padres*' ('success has many fathers') What was already an intense national debate was then stilled by the act of God that destroyed Armero.

However, the probability was that Betancur would have won the debate. Former Presidents, an influential body in Colombia, were unanimous in his support, though President Turbay could not resist a reference to the patient handling of the Dominican Embassy affair. The FARC condemned the M-19's action as having provoked a 'useless

¹¹ For the demands in full, see *Semana*, 18 November 1985

genocide'. Rather than widening the differences between the President and the armed forces, the traumatic demonstration of the consequences of violence and the hazards of force brought them closer. A successful 'Entebbe' might have left them further apart.

The peace process has been written off as mortally wounded before, when the M-19 attacked Florencia, when it 'took' Yumbo after the assassination of Toledo Plata. The events of the Plaza Bolívar were the most severe blow to Belisario Betancur's prestige, and seemed to bear out those critics who said that sentimental policies would end only in more blood and tears, but they alter circumstances less than their drama would suggest.

They brought closer the prospect of repression 'on an Argentine scale': Betancur's Minister of Government, Dr Jaime Castro, spelt out more bluntly than ever before that the continued subversion of the country's democratic institutions was more likely to end in repression than in anything else, and his warnings received illustration from the concluding trial of the Argentine *junta* members in Buenos Aires. There is at least a growing awareness in the country that repression could be provoked that would make Colombians look back with nostalgia to the mild days of the *Estatuto de Seguridad*. There is also more military activity.

Dr López, who is by turns Betancur's supporter, critic and rival, and whose comments have a way of focusing the national debate, had declared earlier last year that the country would never be the same after Betancur, and that the peace process was something that his successor would inevitably inherit, and would have to manage willy-nilly. There is no reason yet to revise that judgement. The majority of the guerrillas are still involved in a truce and dialogue that implies, in the words of Enrique Santos, 'an undertaking made before all the citizens of the republic and before their own followers that they cannot renege on at just the least pretext without incurring the great political cost of losing their credibility. It is not so simple to re-activate a guerrilla in recess just like that, nor to regenerate sympathy for the armed struggle once one has talked so much about peace.'¹⁷ The peace process has robbed the guerrilla of mystery, its failings and limitations have become more apparent, some of its declarations and analyses less convincing, even boring. Those who have refused the cease-fire naturally include the most violent guerrillas, and they must carry out violent acts to show

¹⁷ E. Santos Calderón, *op. cit.*, pp 177-8.

their independence, to obtain resources or to maintain discipline in their ranks. The mass grave of 158 youths recently found in Tacueyo Cauca is evidence of such 'discipline'—executions have been claimed by the Ricardo Franco splinter group of FARC. Peace offers have fractioned the guerrillas, which is one reason why the immediate results are disappointing, but it is significant that the Tacueyo massacre has been repudiated by all other guerrilla groups, whether they have accepted the truce or not. The desire for an end to pointless violence has not diminished, and Betancur's successor will not be able to return to 1982. Whoever is the next President will have to go on looking for a distinctively Colombian peace—the Colombian government is rightly wary of the attempt by President Reagan and his Secretary of State, George Shultz, to blame the seizure of the Palace of Justice on the Sandinistas.¹³ He will have to manage the unprecedented evolution of the FARC's *Unión Patriótica*, and he will no doubt have to survive further violent episodes that will make peace look far off once again. Such episodes do not mean that Betancur was pointing altogether in the wrong direction. The cost of violence in Colombia, not only in lives but in lost production, lost investment, capital flight and all sorts of expensive distortion is inordinately high, and most of all that cost is paid by the poor. Betancur is right in thinking that in Colombia peace would be more revolutionary, or at least more progressive, than the search for revolution by increasingly violent means.

¹³ The M-19 has maintained an office in Managua. The Colombian government has recalled the Colombian Ambassador to Nicaragua 'for urgent consultations'.

The World Bank: a new role in the debt crisis?

The International Monetary Fund is dead; long live the World Bank! The message brought by US Secretary of the Treasury James Baker to the Annual Meeting of the IMF and World Bank in Seoul, Korea, in October 1985, wasn't quite that explicit, but it could easily be read between the lines.

Three years of experience with the IMF model for containing the debt crisis came to a climax in 1985 with clear evidence of disaster. Mexico, which had been show-cased as the bankers' idea of a model country, fell out of compliance with its IMF agreement after an expensive national election. Instead of displaying humble gratitude to the banks for granting his country the 'reward' of a multi-year debt rescheduling, the Finance Minister, Jesus Silva Herzog, used the formal signing ceremony to deliver a threat: if Mexico did not receive a positive net transfer of money from the banks, it would not pay its interest in the future.¹

On the South American continent the news was just as bad. The newly-elected governments of Brazil and Peru both announced that they didn't want any IMF programme in the foreseeable future. And Argentina, which made a stunning turn-around in just a few months' time from bankers' nemesis to bankers' favourite, was in compliance with the IMF only because it had designed its own stabilisation programme and sold it to the Fund, rather than vice versa. The Argentine stabilisation programme, although rubber-stamped by the IMF, contains one important element which the Fund has not countenanced elsewhere: a heavy emphasis on price controls.

The bad news for the IMF didn't end there. As an article in the *New York Times* explained in November 1984, the IMF and World Bank have always been the first to be paid back when debtor countries have anything to spend in a debt crisis, because they are what amounts to the international credit rating agency.² But even as that article was published, the Fund was struggling with the fact that more than twenty countries (many in Africa) were *not* repaying their borrowings from the

¹ William Hall, 'Mexico warns on danger of no fresh loans', *Financial Times* (London), 30 August 1985.

² Clyde H Farnsworth, 'First in line at world debtor's door', *New York Times*, 17 November 1984.

Fund. In 1985 newspapers carried the story that the IMF couldn't even collect its own debts. And if this was true, how could it ensure repayments of the much larger debts to commercial banks?

The IMF was designed to provide short-term support to the balance-of-payments of troubled debtors, and is supposed to operate as a revolving fund. Its loans (technically speaking, 'purchases' of hard currency with local currency) are repayable within a three to five year period after they are disbursed. The Fund's net lending in the years the debt crisis broke, 1981-4, amounted to a total of \$28 billion, or an average of seven billion each year. Net lending slowed to a trickle in 1985, and in the next three years repayments are scheduled to amount to \$21 billion. The IMF will soon become a net recipient rather than supplier of funds to Third World borrowers.³

Those borrowers have, through the years, tolerated the imposition of IMF conditionality only because they wanted the money from the Fund itself and from other creditors that pegged their own lending to compliance with an IMF austerity programme. Even before 1985, compliance with Fund-imposed conditions was notable mostly for its absence. If the IMF were a private consulting firm which had to sell its advice, it would have gone out of business long ago.

The bargain has always been money for conditionality. As the money runs out, so will the patience of governments, whether left or right in their political complexion, with conditions which have long been regarded as more in the interest of the creditors than the borrowers.

The IMF's future as a dispenser of funds is now dependent on the willingness of past borrowers to return large sums of money to it even though they are still in crisis. In the words of the Morgan Guaranty Trust newsletter, 'Should Brazil or Mexico wish to enter into a second extended-facility arrangement, they too could find—as Chile discovered several months ago when it requested a three-year facility—that new loans from the Fund roughly match the repayments of principal from prior drawings falling due after 1986.'⁴

The IMF's credibility has also been hurt by the very efforts of the Reagan administration to strengthen its authority. Every major debtor country was required to conclude a high conditionality stand-by or extended facility with the IMF as a condition for a debt re-scheduling agreement. Because such agreements were essential for preserving the

³ 'Strengthening the LDC debt strategy', *World Financial Markets*, Morgan Guaranty Trust, September-October 1985, Table 15, p 9.

⁴ *Loc. cit.*

stability of the international banking system, it was only a matter of time until even the most conventional and conservative of Latin American technocrats realised that they were in the driver's seat and could write their own ticket, as Argentina has done.

The World Bank gets wheeled out

With the collapse of the IMF 'let's pretend it's just temporary' strategy, US officials had to cast about for a new gimmick. Upgrading the role of the World Bank, which has been out of the limelight since the inauguration of Ronald Reagan and the outbreak of the crisis, was an obvious solution, although it is doubtful that it will prove to be the correct one.

Although Treasury Secretary Baker's name is on the plan which puts the bank in a starring role, the original idea may have come from the Federal Reserve Board Chairman, Paul Volcker, who has played a strong supporting role at Baker's side since the initiative was unveiled. In May 1985, Volcker proposed a wider role for the World Bank in a speech presented to the Bankers' Association for Foreign Trade, and he developed the idea in testimony before Congress last summer. 'Where have you guys been?', he challenged World Bank executives as long ago as July 1984.⁵

The Bank executives' full response to that question was probably not printable in a family newspaper. There are solid reasons for the Bank's position on the sidelines of the debt crisis, which Mr Volcker, not a stupid man, should have been aware of. Putting it simply, since 1981 when Ronald Reagan was inaugurated US President and A W Clausen succeeded Robert McNamara as President of the World Bank, the Bank has been caught between the Scylla of the capital markets and the Charybdis of the Reagan administration's ideological hostility to multilateral banks.

The World Bank depends on borrowing money in the world's capital markets for most of the money lent by its hard-loan component, the IBRD. It is dependent on the support of the US administration, its largest shareholder, for increases in subscribed capital which would permit an increase in lending by the IBRD, since its charter does not permit it to make loans in excess of its capital. And it is almost totally dependent on government allocations for its soft-loan component, the IDA.

⁵ Clyde H Farnsworth, 'A troubled rule at the World Bank', *New York Times*, 2 September 1984

During the more than four and a half years that elapsed between the Reagan inauguration and the Baker initiative, the US administration systematically weakened the Bank by denying it the financial support it needed to expand lending. Clausen's efforts to crank up a new general capital increase for IBRD were received coolly. Commitments from the US to the Sixth Replenishment of IDA that were supposed to be disbursed over three years were stretched out over four.

When the seventh replenishment of IDA was negotiated, the US fell out of step with the other Part I (developed countries) contributors by refusing to contribute its full pro-rated share of the total agreed upon. This so angered the other Part I members that several of them agreed to contribute to a separate pool of funds, and ruled that US-based firms would not be permitted to bid for contracts financed by those funds. (The episode lends support to the theory that the whole foreign aid business is nothing but an export-financing scheme.)

The other side of Clausen's dilemma was the scrutiny of the capital markets from which the Bank borrows most of its funds for lending. Although critics blame lack-lustre executive leadership and bureaucratic red tape for the Bank's failure to come to the rescue with large amounts of debt relief, there were compelling structural reasons to explain why the Bank had evolved in this way.

Several critics suggested, for example, that the Bank should abandon its highly conservative 1:1 ratio of loans to capital. Commercial banks, they suggested, have ratios which are close to 20:1 and the Bank's 'old fogeyism' was preventing a much-needed expansion of lending. Changing the articles of agreement to allow just a 2:1 ratio would instantly double the money it could lend without going through the cumbersome process of a capital increase.

It all seemed so easy. Clausen knew that it wasn't, and rejected the idea. He had come to the World Bank from the presidency of what was then the world's largest commercial bank (Bank of America) and was certainly not unaware of the seriousness of the debt crisis nor unwilling to increase new and untied lending. Although it is hardly possible to 'bail out' the commercial banks (the sums needed are just too big), increased lending by the World Bank could make life easier for them in the short run.

But the IBRD raises the bulk of its funds from large investors, state and private, who see it as a good investment, and the guarantee of the Bank's developed member-countries is what makes it a good investment. Raising the 'gearing ratio' of loans to capital would dilute

the guarantee that these lenders depend upon and instantly raise the Bank's cost of capital on new borrowings. It would make the Bank much more dependent on the perception of the market, and in the mid-1980s that perception would not be favourable. If commercial banks no longer consider loans to Latin America (and troubled borrowers elsewhere) as good business, the more conservative bond markets would certainly shun investments in an institution whose main business was bailing those troubled borrowers out of their commercial bank loans.

Unlike the IMF, which was designed to operate in (short-term) crises, the World Bank's method of lending made it a much less suitable tool for emergency bail-outs. The Bank's charter (Article III, section 4(vii)) states that 'Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.'

In a debt crisis, however, the most urgent need of a borrower is not for projects which will have a pay-off, if any, only in five or ten years' time; the country needs the money now, to pay debt service and this year's import bill. Project loans are actually counter-productive in such an environment if they tie up other complementary resources which might be put to more immediate use elsewhere in the economy. World Bank loans have traditionally done just that: it has been a deliberate policy of the World Bank to require the borrowing government to demonstrate its commitment to projects financed by the Bank by pledging so-called 'counterpart' funds, and making complementary investments of its own.⁶

The World Bank was the first institution to study the problem of debt repayment and debt crises seriously (in the studies by Dragoslav Avramovic published between 1958 and 1965) and is still the major source of statistics on debt as publisher of the annual *World Debt Tables*. Yet, ironically, its own lending operations assumed that the flow of external capital towards its Third World borrowers would always continue, despite the reverse flows of interest payments and amortisation of capital required by the IBRD's 'business-like' loans.

In the occasional national debt crises of the 1960s and 1970s, the World Bank urged other creditors to reschedule repayments, but refused on principle (that is, with a careful eye on the rating of its bonds in the capital markets) to reschedule its own. The only debt-

⁶ Ernest Feder, *Perverse Development*, Quezon City, Philippines: Foundation for Nationalist Studies, 1983, pp 236-41

management technique which McNamara used when net transfers from the World Bank became negative in 1970 after he took office was the massive expansion of gross new lending which allowed borrowers to cover their old debt service with little pain. World Bank lending, like commercial bank lending, resembled a Ponzi scheme, with old debt service paid out of new borrowings.

Clausen was well aware of this fact and prepared to continue the game. Just before he assumed the presidency of the Bank, he told an interviewer, 'If we don't provide this expanded level of support [for the multilateral agencies]—comes the revolution. It's as simple as that. We have to do it or else we will destroy ourselves.'⁷ But the 1982 debt crisis could not be patched up according to the old model of the 1960s and 1970s. When Clausen tried to push the same buttons that McNamara pushed, he got no response.

Clausen has been responsible for several innovations in Bank policy and procedures. His first steps upon taking office were to move Bank lending from a fixed-rate to a floating-rate basis, and to institute new commitment fees for IBRD loans and IDA credits. These innovations made the World Bank look more like a commercial bank, and contributed to the fat profits the Bank has declared in recent years.

The commitment fees reduced the net transfer from the Bank to its borrowers, but floating interest rates, contrary to expectations, actually reduced the interest burden to borrowers. When floating rates were introduced in 1982, interest rates on bank loans were at an all-time high of 11.6 per cent. The switch to a floating-rate system permitted the Bank to pass on savings to its floating-rate borrowers as the interest rates on its own borrowing from the capital markets fell. Under the variable rate system, rates on all outstanding loans are reset every six months to reflect the Bank's own cost of borrowing: rates charged to the Bank's borrowers have fallen from 11.43 per cent in 1982 to 8.82 per cent in the last half of 1985.⁸

These interest rates are somewhat deceptive, however, as the Bank tries to borrow at the lowest *nominal* interest rate. That is, it borrows in currencies which have a low interest rate and passes the foreign exchange risk on to its borrowers. During the Clausen years the Bank has been a pioneer in the sophisticated business of currency and interest-rate 'swaps' with other investors. 'Swaps' have allowed the bank to borrow high-interest funds in US dollars and swap them for

⁷ 'Clausen will help those that help themselves', interview, *Euromoney*, December 1980, p. 35

⁸ World Bank, *Annual Reports* 1982, 1983, 1985

nominal low-interest funds in Swiss francs, deutschmarks and yen. In this way, the Bank can borrow more funds in those markets than the national authorities allow them to borrow directly.

More immediately important to the borrowers, however, are the innovations on the lending side of World Bank operations. Here the changes have moved in three interrelated directions as a result of the debt crisis: towards more programme lending, more policy conditionality and more emphasis on encouraging private investors. All three are responses to the debt crisis.

Structural adjustment loans, or SALs, were introduced in 1980, as a response to the second 'oil shock'. The Bank perceived, incorrectly as it turned out, that the price of oil would continue to rise in real terms in the 1980s. But it was also, and more prophetically, an anticipation of and an attempt to avert the impending debt crisis, since commercial banks were displaying increasing reluctance to raise their exposure to many Third World countries.

SALs were unlike the usual project lending of the Bank because the funds could be quickly disbursed and used to pay for general imports. Untied financial support in exchange for policy changes in the borrowing country: the basic bargain for World Bank SALs is the same as that of the IMF stand-by arrangements and Extended Fund Facility. This has led to considerable blurring of the distinction between the roles of the two Bretton Woods institutions and to occasional jurisdictional wrangles between them.

A report on the earliest structural adjustment programmes (1 February 1980 to 30 June 1981) revealed the far-reaching range of the Bank's conditionality under these loans: trade and exchange-rate policies, policies in the energy, agriculture, and industry sectors, the review of national investment priorities, the financial performance and efficiency of public sector enterprises, the budget, tax policy, interest rates, and debt management—no important sector of the borrower's economic life is left untouched.⁹

This obviously raises questions of how World Bank SALs differ from IMF Extended Fund Facilities, and it is a question which the Bank and Fund themselves have not always been able to answer. The official policy pronouncement on the subject was approved in 1967 and revised in 1970. It decreed that the Bank should have primary responsibility for 'the composition and appropriateness of development programs and

⁹ Pierre M Landell-Mills, 'Structural adjustment lending: early experience,' *Finance and Development*, December 1981, pp 17-21

policy evaluation, including development priorities', while the Fund had primary responsibility for 'exchange and restrictive systems, for adjustment of temporary balance-of-payments equilibrium and for evaluating and assisting members to work out stabilization programs'.¹⁰

The Bank and the Fund do not disagree fundamentally on the major issues of policy conditionality. The Bank, like the Fund, opposes most forms of trade and payment restrictions and tries to promote the interests of foreign investors. When the two institutions clash, it is more over means than ends.

One significant difference is that the Fund has operated throughout its existence mainly in situations of foreign exchange crisis, since its services were not needed when capital was flowing freely into a country. The Bank, by contrast, evolved during decades when most countries were enjoying foreign capital in-flows and its role was that of channelling the funds from itself and other lenders into what it decreed to be the most important development priorities. Its bureaucratic structure is not accustomed to operating in today's conditions, when the capital in-flows dry up and reverse direction. The Bank's projects run into severe problems when the borrowing government can't afford to allot the necessary 'counterfeit' funds or supply the essential infrastructure, which helps to explain why the Bank failed to meet its own lending targets in the fiscal year 1985.

The Bank's SALs, however, are even more ambitious than IMF programmes because they intend a more lasting effect. IMF austerity measures, such as budget-cutting and credit ceilings, can be, and regularly are, reversed quickly as soon as the desired money is disbursed. Bank SALs clearly intend to make more lasting institutional changes which cannot be so readily reversed.

This more lasting effect can be a promise or a danger, depending on one's opinion of the wisdom of the Bank's development philosophy. Tony Killick, a critic of IMF austerity programmes, believes that World Bank conditionality is significantly different from that of the IMF and represents a hope for the future development of the country he studied, that is, Kenya.¹¹

Robin Broad, who studied the implementation of IMF and World

¹⁰ Edward S Mason and Robert E Asher, *The World Bank since Bretton Woods*, Washington DC: Brookings Institution, 1973, p 551.

¹¹ Tony Killick, (ed), *The Quest for Economic Stabilization: The IMF and the Third World*, New York: St Martins Press, 1974.

Bank programme loans in the Philippines, sees no essential difference between the two. Indeed, she concluded that the World Bank, discreetly coached behind the scenes by the IMF, succeeded in achieving exactly those institutional changes which the IMF had tried, but failed, to implement. She perceived both programmes as aimed primarily at destroying protectionism and forcing the adoption of a strategy of export-led growth.¹²

SALs were not the only vehicle through which the World Bank transferred non-project tied money in exchange for policy changes by the recipient country. Sector policy loans, in which the policy changes were directed at a particular but important sector, also helped to move money. In the fiscal year 1985, more than one billion dollars was committed in sector adjustment loans, compared to only 232 million in SALs.¹³

Another programme with which the Bank tried to meet the new requirements of the post-1982 debt crisis era was its Special Action Programme or SAP. The emphasis in this programme was on speeding up disbursements, which normally lag several years behind commitments, in order to make money available in a hurry to needy borrowers. The programme, which was in effect for only two years, succeeded in raising the percentage of disbursements to commitments from 61 per cent in 1982 and 1983 to 72 per cent in 1984 and 76 per cent in 1985.

But all of these programmes together were only a drop in the bucket compared with the annual outflow of capital from Latin America. Of the ten major debtor countries, only the Philippines and Yugoslavia received SALs. Until the Baker initiative, it was agreed that non-project lending should not exceed 10 per cent of the Bank's total lending programme, or 30 per cent of its lending to a specific borrower. And it must be remembered that without a capital increase for the IBRD, and expanded contributions to IDA, all these special programmes were merely pushing money around from some borrowers to others and from future years to the present, not making more of it available.

Brazil illustrates the drawbacks of this programme. It was one of the main beneficiaries of the SAP: its borrowings increased from an average of \$299 million per year in 1980-82 to an average of \$935 million in 1983

¹² Robin Broad, 'The Transformation of the Philippine Economy', *Monthly Review*, May 1984, pp 11-21

¹³ 'Strengthening the LDC debt strategy', *op. cit.*, Table 17, p 10

and 1984.¹⁴ But when the disbursements were used up, Brazil still could not afford to supply the counterpart funds needed to complete the projects and now has to begin repaying some loans on projects which are not even completed. Net transfers from the World Bank to Brazil may be negative in 1986.¹⁵

Promoting private enterprise

The World Bank's contributions to managing the debt crisis are not limited to lending its own money. The Bank has always considered its real mission to be the promotion of private loans and investment in the Third World.¹⁶ The conditions attached to its own lending have pushed to improve the climate for private capital (including emphasising changes in the borrower's legal and taxation system which favour foreign investment). And its persistent attempts to encourage commercial banks to consider selected Third World borrowers as excellent credit risks mean that it bears a considerable share of responsibility for the current debt débâcle. It is, even now, encouraging India and China to get ever deeper into debt.¹⁷

Since the outbreak of the debt crisis, the Bank under Clausen's leadership has redoubled its efforts to entice private capital to the now much less attractive Third World arena. It has three new strategies to promote private capital flows: for the banks, new forms of co-financing; for equity investments, more activity by its International Finance Corporation subsidiary, and a new investment guarantee institution, MIGA.

Clausen's former institution, the Bank of America, was the first commercial bank to co-finance a project with the World Bank (in 1976). 'I liked it then as a commercial banker; I like it now as a development banker', he said in a 1982 interview.¹⁸ In January 1983 the Bank

¹⁴ *Loc. cit.*, Table 16

¹⁵ Sue Brandford, *South* (London), November 1985, pp 39-40.

¹⁶ IBRD, Articles of Agreement, Article I(ii).

¹⁷ On India, see Matt Miller, 'World Bank advises India to spur economic growth', *Wall Street Journal* (European edition), 11 July 1985; and 'Indian loan shift urged', *New York Times*, 19 August 1985. On China, see C Raghavan, 'China: the cost of taking advice', *South* (London) February 1982, pp 102-3; Eduardo Lachica, 'World Bank sees rapid rise in imports by China of production gear in the 1980s', *Wall Street Journal* 6 January 1984; Louise do Rosario, 'Time to pay the piper', *Far Eastern Economic Review*, 22 August 1985; Robert Dells, 'Economic marathon', *Far Eastern Economic Review*, 27 August 1985; John F Burns, 'World Bank urges China policy shifts', *Wall Street Journal*, 28 October 1985.

¹⁸ 'A conversation with Mr Clausen', *Finance and Development*, December 1982, p 7.

introduced a new type of co-financing with commercial banks, which they called the B-loans, to distinguish them from the Bank's traditional lending.

The new programme permitted a closer relationship between the World Bank and the private banks in which the World Bank would either (1) participate directly in the later maturities of the loan, or (2) guarantee the later maturities, or (3) accept a contingent liability if a portion of a loan remained unpaid after expiration of the original maturity. This would happen if a borrower were guaranteed that its annual debt-service payments would remain stable although interest received by the commercial banks would fluctuate according to the market. If interest rates rose, the borrower would pay full interest but reduced amortisation, and the unpaid amount would be payable after the contracted expiration date. It is this unpaid amount that would be guaranteed by the World Bank.

The advantage to the borrower in these cases, the Bank stated, would be the availability of loans for longer periods and at better rates than the borrowers could normally obtain in the market. For some countries, of course, the money would not have been obtainable at all from the market without the Bank's participation. The lenders would receive 'comfort' from their association with the World Bank and the right to 'exchange of information and joint consultation' on the economic condition of the borrowers.

The latest (fiscal year 1985) annual report states that eleven B-loans, utilising all three options (direct participation, guarantee and contingent liability) had been signed in 1984 and 1985. The directors expressed satisfaction with the pilot programme and extended it for another year.

In mid-1985, however, the Bank got into trouble when the US Treasury objected to its plan to guarantee \$200 million of commercial bank lending to Chile as part of a total rescue package amounting to more than a billion dollars, including one of the Bank's own SALs. The objections forced the World Bank to rewrite its loan and the guarantees, this time tying the money to a project to co-finance highway construction. Under the new plan the World Bank would supply \$140 million and guarantee a further \$150 million of bank loans.

This episode suggests that the Bank's guarantee power will be used sparingly, but it also illustrates the critical role that the guarantee function can play. Despite the US Treasury's reluctance, it 'became convinced bankers wouldn't lend Chile the money it needs to cover its

international payments deficit this year and next without the World Bank guarantee, and that could push Chile to default on its \$20 billion foreign debt.' A senior US Treasury official was quoted as saying that the Treasury didn't want to 'put Chile to the wall and play Russian roulette with the banks'.¹⁹

The B-loan strategy, like most other components of the official management of the debt crisis, assumes that the capital market for the Third World will get back to normal in the near future. But what if it doesn't, as seems more likely? Guarantees are cheap, as long as they are never used. But if they ever have to be used—if the debt crisis gets worse rather than better—they will be either very costly to the guarantor, or worthless.

The direct investment solution to the debt crisis is popular with the Reagan administration, and the World Bank is trying valiantly to promote it. Private foreign investment has its disadvantages, of course; one reason for the fad for sovereign loans in their heyday was the disillusionment on the part of both investors and host countries with foreign equity investment. Countries were unhappy because vital parts of their economies were under foreign control and profits were shipped out of supposedly capital-short economies; investors were vulnerable to exchange controls and nationalisation, as well as taxation and labour legislation which hobbled their freedom of action.

The Bank's sponsorship of the Multilateral Investment Guarantee Agency (MIGA), which was approved by the Board of Governors at the 1985 annual meeting, attempts to promote a new surge of investment by providing insurance against those fears of investors. MIGA is authorised to cover private investors against these risks:

- Risk of host government restrictions on currency conversion and transfer.
- Risk of loss resulting from legislative actions or administrative actions and omissions of the host government that have the effect of depriving foreign investors of ownership or control of, or substantial benefits from, their investments.
- Risk of repudiation of government contracts where investors have no access to a competent forum, face unreasonable judicial delays, or are unable to enforce rulings issued in their favour.
- Risk of armed conflict or civil unrest.
- Other non-commercial risk.

¹⁹ S Karene Witcher, 'US Backs Plan by World Bank for Chile loans', *Wall Street Journal*, 1 July 1985.

MIGA will have a capital base of SDR 1 billion, with a complicated voting formula designed to assure rough parity between capital-exporting and capital-importing countries. In fact it seems designed to offend or threaten no one. Since other investment guarantee programmes such as the US's OPIC already exist, MIGA is intended to supplement such schemes through co-insurance and re-insurance, and is for investments that are not eligible for national or private coverage. It will, however, give the World Bank yet one more handle with which to lobby governments to improve the climate for foreign investment.

The International Finance Corporation has come into new prominence in the current climate of acclaim for the private investor as the key to development. Although still much smaller than the IBRD and IDA, the International Finance Corporation, the Bank's subsidiary devoted to direct lending to and co-investment with private, including foreign, investors is in the process of doubling its capital base and operations. It has an ambitious five-year plan for 1985-9, during which it hopes to invest \$7.4 billion of its own money in projects and to act as catalyst for over \$25 billion from other investors and lenders.

In addition to its traditional function of promoting private direct investment, preferably in the form of joint ventures between local and foreign investors, the IFC has become very active in promoting the flow of foreign portfolio investment to the Third World. In portfolio investment, investors purchase non-controlling shares of Third World corporations, often in the form of stock market mutual funds.

One recent IFC operation was the underwriting of the Korea Fund, under which large institutional investors in industrial countries can purchase shares of South Korean companies. Negotiations are under way for similar funds for Brazil and Thailand, with India a possible future candidate. Another type of fund, the Emerging Markets Growth Fund, will invest funds from Europe, Asia, and the US in stocks listed on stock exchanges of several different Asian and Latin American countries.

This growth in portfolio sales to institutional investors may be the big news of the 1980s. It is estimated that US investors now own \$16 billion in foreign stocks, up from \$3 billion only five years ago. Although only a fraction of these are in Third World stocks, the IFC is working hard to open up markets such as that in Korea which are otherwise closed to foreign investors.

If the debt crisis persists, however, these investors may find that this is just another way to lose money. Third World stock exchanges are

notoriously volatile and scandal-prone. The commercial bankers have long cast hungry eyes on the huge amounts of money owned by US pension funds and insurance companies; now, with the assistance of the World Bank, they are beginning to tap these funds.

The IFC is perfectly conscious that they are helping to bail out the banks. According to an internal document of the corporation obtained by a journalist, 'It may be possible to convert some bank claims on LDCs into obligations in investment trusts which could be traded abroad. If this can be done, foreign banks may be able to encash or liquefy loan positions while the debtor country converts an external debt obligation into a long-term marketable foreign claim.' The paper pointed out that commercial banks represent only 35 per cent of national-savings flows in developed countries, whereas institutional investors absorb a further 30-40 per cent of savings, 'all of which are available for long-term investment'.²⁰

As portfolio investment rises, direct foreign investment has declined from an average of \$11.6 billion per year in 1979-82 to \$9.1 billion in 1984. The IFC itself has suffered from 'deterioration in the condition' of its portfolio in the wake of the debt crisis.²¹ As Clausen observed in a speech last year, 'factors inhibiting commercial lending usually inhibit direct investments too'.²²

The 'Baker initiative'

The 'Baker initiative' of September-October 1985 had two prongs. The first was aimed at the African debt crisis, the second at Latin America.

The African countries that were threatening to default on some \$7 billion in repayments to the IMF were not large borrowers from the banks. They had become indebted through borrowing on concessional terms from official creditors, and would have to be rescued by concessional official finance. For these countries Baker proposed a joint World Bank-IMF lending pool totalling \$5 billion. The proposal suggested that \$2.7 billion worth of repayments due to the IMF's Trust Fund should be channelled to countries in difficulty, and that the Fund and the Bank should cooperate in enforcing conditionality on these countries.

²⁰ Anthony Rowley, 'Stretching Maturities', *Far Eastern Economic Review*, 27 September 1984, p. 86.

²¹ International Finance Corporation, *Annual Report 1985*, p. 4.

²² A W Clausen, 'Promoting the private sector in developing countries', Address to the Institute of Directors, London, 26 February 1985.

When the IMF interim committee met in Seoul, it endorsed the idea of devoting the Trust Fund money to a special fund for Africa, but refused to agree to joint IMF-Bank operations and conditionality. It is not yet clear where the rest of the money will come from to make up the total of \$5 billion, or how this fund will be related to the Africa fund already established by the Bank. The IMF has to help bail *itself* out this time, although it is also not clear how \$2.7 or even \$5 billion will serve to bail out countries which owe a total of \$7 billion to the fund.

The second prong of the Baker strategy is designed for Latin America and five other countries which are heavily indebted to commercial banks. According to the proposal, the private banks are to put up \$20 billion in new money over the next three years while the World Bank and the Inter-American Development Bank will accelerate their disbursements and concentrate them in high conditionality programme lending to the designated countries, for an additional amount of \$9 billion in the same period.

The abrupt turn-around in the US attitude toward the World Bank was rich in irony. At the time of the Seoul meeting, the US had not yet voted in favour of the IFC's capital increase, nor had it contributed to the IDA's Special Facility for sub-Saharan Africa which began operations in July 1985 with funds of only \$255 million. After years of turning a cold shoulder to Clausen's pleas for more funds and making it clear that he would not be reappointed when his term as president expires in June 1986, the Reagan administration suddenly grabbed most of his blueprints and began to exalt the role of an institution with a lame-duck executive.

Despite assurances that the Baker proposal did not intend to down-grade the role of the IMF, that is exactly what it was doing, for two good reasons. The first is that the Fund itself is running out of money, as explained above. The second reason is that the Fund is inextricably identified with painful 'austerity' programmes that are no longer acceptable, nor even very effective in the few countries (such as Jamaica) where they are sincerely applied.

By comparison with the IMF, the World Bank's overall net transfers are still respectively positive: for the IBRD, disbursements minus repayments minus interest and fees left a net transfer of \$2.4 billion in the fiscal year 1985. IDA disbursements, although slightly lower than the two previous years, were nearly \$2.5 billion and reverse flows were negligible (see Table 1). With stepped-up disbursements and a general capital increase in the near future, gross disbursements could keep

ahead of the repayment and interest flow for several more years. And the Baker plan would lift the previous limits (10 per cent of total lending) for policy-linked quick-disbursing programme loans such as the SALs and the sector policy loans.

But the Bank itself is not immune to the same repayment problems suffered by commercial banks and the IMF, although it likes to pretend it is. This year, for the first time in its history, the Bank admitted it had a non-accruing loan, defined as one on which interest payments were more than six months late. (The IDA had already admitted,²³ that Chad had been in arrears for more than four years on an IDA credit, so this was a 'first' only for the IBRD.)

Political reasons certainly explain why Nicaragua²⁴ was nearly nine million dollars in arrears on its World Bank repayments—the Reagan administration has made it clear that the Sandinistas will receive no new loans from the Bank—and political hostility probably explains why the loan was placed in non-accrual status, when past arrears have been quietly covered up.²⁵ Payments from countries other than Nicaragua which were overdue more than three months amounted to \$2.46 million at 30 June 1985, a very small amount relative to the total portfolio, but much larger than the \$352,000 reported at the end of the previous fiscal year.²⁶

In the current debt situation, the Bank's announced policy of never rescheduling a loan seems unrealistic rather than reassuring. Like the commercial banks, the World Bank keeps payments current by lending new money to errant debtors (except Nicaragua).

The World Bank does have funds to lend, but there is another reason it has been wheeled on stage to replace the IMF. The debtor countries are tired of austerity and want to get back to growth. The Reagan administration is trying to co-opt this bandwagon. 'Growth' has replaced austerity as the new buzzword. George Shultz, the US Secretary of State, told a Brazilian journalist who approached him after

²³ World Bank *Annual Report*, 1984, p. 198

²⁴ The Bank did not name the country, but journalists had no trouble figuring out which it was. Perhaps they were given a hint? See Nicholas D. Kristof, 'Nicaragua in arrears on World Bank loans', *New York Times*, 27 March 1985.

²⁵ Cheryl Payer, *The World Bank: A Critical Analysis*, New York: Monthly Review Press, 1982, pp. 46–9.

²⁶ *Annual Reports*: 1984, p. 181, 1985, p. 206

Table 1: Net transfers from World Bank, 1977-85 fiscal year (millions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
IBRD									
1 gross disbursements	2728	2817	3611	4369	5171	6374	6852	8614	8869
2 repayment	709	831	843	1182	1441	1708	2056	2544	2975
3 interest & fees	1073	1324	1668	1945	2164	2391	2797	3236	3488
4 net transfer (1 - 2 - 3)	946	662	1100	1242	1566	2275	1999	2834	2406
IDA									
5 IDA disbursements	1298	1062	1222	1411	1878	2067	2596	2524	2491
6 total net transfer (4 + 5)	2244	1724	2322	2653	3444	4342	4595	5358	4897

Source: World Bank Annual Reports

a speech at the UN, 'Take this down carefully. We support economic growth.'²⁷

Reading between the lines of explanations by US Treasury officials, in which the thought is frequently expressed that countries must have 'hope' and must be able to see 'light at the end of the tunnel', the suspicion grows that the World Bank's traditional association with 'development' is being exploited as a sugar-coating to make present austerity palatable.

This is precisely how the World Bank was used in the economic restructuring of the Philippines economy, according to Robin Broad's analysis. 'The IMF had failed in its attempt to sell a similar package,' she wrote, 'in part because it could not shake its image as purveyor of austerity and social upheaval.' The Bank, on the other hand, 'was aided by its more benevolent image as a bestower of funds for long-term development projects. Clothed in this benevolence, the World Bank was able to act out the short-term stabilization role of the IMF.'²⁸

Substantively the Baker plan contains very little that is really new. It proposes that everyone continue doing what they were supposed to have been doing anyway: the countries are to obey conditions laid down by the Fund and the Bank, the commercial banks are to lend more to countries they now *know* are bad risks, and the US government will, maybe, cough up some more funds sometime in the future. If the formula hasn't worked before, why should it work now?

The additional money, if any, which the plan will mobilise will not but much compliance, or growth. The \$29 billion envisioned in the Baker plan should be compared with the interest bill of \$135 billion which the fifteen selected debtor countries will have to pay over the same three years.²⁹ The US Congress may be even less willing to approve a capital increase for the World Bank than they were to vote a similar increase for the IMF which barely squeaked through in 1983, but without the capital increase the Bank will soon find itself in the same trouble the IMF is in now.

The Baker plan is an act of desperation, not a viable blueprint for solving the debt crisis. The US government is playing poker with an empty hand, while pressuring the banks to throw good money after bad

²⁷ Alan Riding, 'US shift on Latin debt seen as a turning point in crisis', *New York Times*, 3 October 1985.

²⁸ Robin Broad, *op. cit.*, p. 18.

²⁹ Estimate by Albert Fishlow, quoted in the *Wall Street Journal*, 20 November 1985.

in a last-ditch attempt to purchase conditionality and prevent independent decision-making in the debtor countries. But things are falling apart fast, and the next few years should be extremely interesting.

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THE UN SYSTEM

▲Treaty on the Non-Proliferation of Nuclear Weapons (NPT)
Third Review Conference of the States Parties
Geneva, 27 August-21 September 1985

■Eighty-six of the 130 parties to the 1968 NPT attended the quinquennial conference to review its operation fifteen years after it entered into force in 1970. Also present were the three signatory states which had not ratified the treaty, ten observer states and forty-eight representatives of non-governmental organisations. The Third Review Conference adopted by consensus a Final Declaration affirming support for the NPT,¹ after compromises had been reached on the best immediate means of furthering disarmament by nuclear weapon states, and on other controversial issues.

The main issue under review was the compliance of the nuclear weapon states (US, USSR, and Britain - France and China are not parties) with their obligations under Article VI of the Treaty. In obliging state parties to prevent the spread of nuclear weapons, the NPT imposes distinct obligations on nuclear and non-nuclear weapon states. Non-nuclear weapon states renounce the option of acquiring or manufacturing nuclear weapons, allowing on-site inspection of their civil nuclear facilities. Nuclear weapon states, meanwhile, agree to share nuclear technology for peaceful purposes, accepting safeguards in its transference, and by Article VI are bound to take steps in good faith towards disarmament, and the halting of the arms race. In an opening statement to the conference, the UN Secretary-General, Javier Perez de Cuellar, remarked that while the Treaty had been relatively successful in preventing nuclear proliferation among its parties (none were known to have developed nuclear weapons, or withdrawn from the treaty²) the failure of the three nuclear weapon states parties to pursue disarmament was a growing source of dissatisfaction among the other parties.³ Disagreements over the application of Article VI had in fact been largely responsible for the failure of the first and second review conferences to issue a declaration, and threaten to jeopardise the renewal of the treaty when it expires in 1995.

In its Final Declaration, the Conference noted that the nuclear arsenals of the nuclear weapon states parties were being developed rather than diminished. It noted concerns expressed at the conference over the possible extension of the arms race into space. The conference concluded that no effective arms control agreement had been reached in the past five years, and it called for a renewed commitment by the US, the USSR and Britain to the implementation of Article VI. Controversy centred, however, on the best means of demonstrating this commitment. Alfonso Garcia Robles, the Mexican delegate, on behalf of the neutral and non-aligned states, tabled three resolutions, calling for: the nuclear weapons states to negotiate a Comprehensive Nuclear Test Ban Treaty (CTBT); an immediate interim moratorium on nuclear testing; and a nuclear-arms freeze on testing, production and deployment, coupled with negotiations to reduce existing stockpiles. A CTBT had been urged by the same countries at the previous NPT Review Conferences, but the Partial Test Ban Treaty of 1963, banning tests in the sea, in space and in the

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atmosphere, had never been followed by a complete ban. Negotiations begun between the US, the Soviet Union and Britain in 1977 had been suspended in 1980, and in 1982 President Reagan had declined to resume them, on the basis that a CTBT would be unverifiable.

Andrei M Petrosyantz, the Soviet representative, expressed support for a CTBT as a top priority for disarmament. A message to the conference from Mikhail Gorbachev furthermore repeated an appeal to the US to join the Soviet Union in its unilateral moratorium on nuclear tests, which had begun on 6 August 1985, and was due to end on 31 December 1985, unless matched by the US.⁴ A CTBT was also supported by the Australian Foreign Minister, Bill Hayden, and the West German representative, Jürgen Möllemann, who argued that its signatories should establish a global system of seismological verification. The resolutions were, however, opposed by the US and Britain. The US representative, Kenneth Adelman, argued that the US was committed to a CTBT as a long-term goal, but not as a first step to reducing the nuclear threat. In a message to the conference, President Reagan, who had refused the Soviet appeal for a test moratorium on the basis that it was unverifiable, argued that avoidance of nuclear war was best sought through the Geneva arms talks, and the US proposals tabled there. Appealing to the Soviet Union for mutual radical cuts in their nuclear arsenals, he said that verifiable limits on nuclear testing could play a 'useful though more modest role'. Richard Luce, a British Foreign Minister, supported the US in arguing that the priority for disarmament was arms reduction between the US and the Soviet Union. He expressed limited support for a CTBT, however, arguing for the exertion of political will to overcome what he considered to be very real problems of verification.

The Mexican proponent of the resolutions had called for them to be put to the vote, but a compromise wording was arrived at instead. The Final Declaration expressed the view that 'a Treaty banning all nuclear weapon tests was one of the most important measures to halt the nuclear arms race.' The conference, 'except for certain states', called on the nuclear weapons states to resume trilateral negotiations towards a CTBT in 1985, while those 'certain states' considered 'deep and verifiable reductions in existing arsenals of nuclear weapons as the highest priority'. Note was taken of the willingness expressed by the Soviet Union to begin CTBT negotiations. The Declaration omitted demands for an interim moratorium and a nuclear-arms freeze.

The conference expressed strong support for the nuclear 'safeguards' system entailing inspection of civil nuclear facilities by the International Atomic Energy Agency (IAEA). It compromised, however, on a proposed requirement that full-scope safeguards should be applied in exporting nuclear materials to non-parties to the NPT, thus ending partial safeguards on the material, and discrimination against NPT parties. Though supported by most Western and some socialist countries, the measure was opposed by Switzerland and West Germany, both nuclear suppliers. The Swiss representative argued that the imposition of full safeguards on non-parties would simply reduce the influence of the supplier countries, by leading recipients to obtain supplies elsewhere, or develop their indigenous industries. The Final Declaration merely urged non-parties to accept full-scope safeguards voluntarily.

The conference also noted concerns about the nuclear capability of Israel and

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South Africa, registering calls to halt the transfer of nuclear technology to these countries. An attempt by Iran to include a condemnation of Iraqi attacks on its nuclear reactor at Bushehr failed, however, and references to both this attack, and an Israeli raid on the Iraqi reactor in 1981, were deleted. The Declaration merely stated that 'an armed attack on a safeguarded nuclear facility, or threat of attack, would create a situation in which the Security Council would have to act immediately.' The conference also endorsed the establishment of the South Pacific Nuclear Free Zone in August 1985,⁵ and decided that such zones should be encouraged as a means to disarmament. Finally, it made a plea for further ratification of the NPT, which six of the 'near-nuclear' states (Argentina, Brazil, India, Pakistan, Israel and South Africa) have never ratified.⁶

The next meeting of the Review Conference will be held in 1990.

● The Treaty is not a one-way street . . . the implementation of the Treaty has been largely one-sided, to the understandable concern and profound dissatisfaction of its non-nuclear weapon parties. There must be recognition of the fact that restraint on one side cannot reasonably be demanded in the face of unlimited expansion on the other.' UN Secretary-General, Javier Pérez de Cuellar, speaking of the non-implementation of Article VI. *Disarmament Newsletter* (New York) October 1985. 'There should be no doubt that a mutual USSR US moratorium on nuclear explosions would create favourable conditions for concluding an international treaty on complete and general prohibition of nuclear weapon tests and would contribute to a fuller implementation of the provisions of the Treaty.' Andrei M Petrosyantz, Soviet representative at the conference and Chairman of the Soviet Union's State Committee for the Uses of Atomic Energy. *UN Weekly Summary* WS/85/32, 5 September 1985.

'We remain committed to a complete ban on nuclear testing as a long-term goal . . . our most urgent task must be deep reductions of those existing nuclear arsenals.' Kenneth Adelman, US representative at the conference, and Director of the US Arms Control and Disarmament Agency. *The Times* (London) 29 August 1985. 'We firmly believe nuclear disarmament must begin with effective bilateral negotiations between the US and the USSR, who between them possess 95 per cent of the world's nuclear weapons.' Richard Luce, British representative at the conference. *The Times* (London) 30 August 1985.

▲ International Fund for Agricultural Development (IFAD)

Executive Board, 25th session
Rome, 3-6 September 1985

■ Prospects for IFAD's second budget replenishment were reported to have improved following formal and informal discussions at a meeting of the Executive Board. Negotiations on funding had been deadlocked since February 1985 over the proportions to be contributed by OPEC and OECD countries, with the US objecting to a 2 per cent reduction in OPEC's 42 per cent share which its members were seeking.⁷ While the reasons for optimism were not made public, IFAD's President

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Idriss Jazairy was preparing to reconvene consultations with IFAD member-states in the expectation of a swift solution to the problem.

During the meeting the board approved a total of \$48.8m in loans to seven projects aimed at increasing the food production of small farmers in developing countries. The loans were to be supplemented by other resources from financial institutions and recipient countries to cover the total cost of the projects of \$174.6m. Also approved were a second grant of \$1.5m to the OAU's Scientific Technical and Research Commission for an agricultural management training programme for Africa, a programme of work for 1986 and 168m SDR (\$173.9m) and a zero-growth administrative budget of \$26.2m which was transmitted to the Governing Council for final approval.

The board reviewed a progress report on IFAD's Special Programme for 23 sub-Saharan African countries severely affected by drought and desertification. The programme had been launched by a special session of the board in May 1985⁶ with a target fund of \$300m for the ensuing four years. It was said to have received encouraging offers of government funding."

▲ UNCTAD Trade and Development Board (TDB)

Thirty-first Session

Geneva, 16-27 September 1985

■ The 128-member TDB continued its discussions on the interdependence of problems of trade, development finance and the international monetary system, together with the debt and development problems of developing countries. In the absence of agreed conclusions, a summary and conclusions of the debate were drawn up by Martin Huslid, the Norwegian President of the Board, on his own initiative. The final plenary session formally declined to endorse the President's summary, but agreed to annex it to a report of the session.

The TDB based its discussions on the UNCTAD Trade and Development Report 1985, and was addressed in the opening session by Alistair McIntyre, in his capacity as Deputy Secretary-General and Officer-in-Charge of UNCTAD, who highlighted some of its conclusions. The report warned that the efforts of debtor developing countries to service their debts by generating large trade surpluses were frustrating their hopes for economic development. These efforts were, moreover, unsustainable in the face of faltering recovery in the developed world, high interest rates, growing protectionism and a decline in bank lending to indebted countries. Alistair McIntyre warned that the 1980s could become a 'lost decade' for development unless efforts were made to reverse these trends.

In the debate itself, Benson O Tonwe of Nigeria, speaking on behalf of the Group of 77 (G77), commended the UNCTAD Report's analysis of the debt and development crisis. He argued that the crisis was being sustained by a number of devices applied by the main industrialised market-economy countries, including high interest rates; large trade deficits; protectionist measures against developing country exports; restrictive export credit policies; and the conditionality imposed upon loans by the International Monetary Fund. Condemning the vicious circle whereby lower

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commodity prices were negating efforts to increase exports at a time when increased export revenues were needed to service debts, he said that net financial outflows representing 25 to 50 per cent of total exports could not be sustained by developing countries 'without disruptive consequences for their political structures and for the world's financial houses on which the present lopsided international economic order is built.' Kazimir Vidas of Yugoslavia, also speaking for the G77, added that the policies of the industrialised countries made the adjustment efforts of developing countries ineffective, and he urged that the principle of co-responsibility between debtor and creditor countries be recognised. It should also be acknowledged, he said, that growth in debtor developing countries was a precondition for debt servicing, and that a country's debt service repayments should be limited to a proportion of its export earnings.

Speaking for the OECD countries, Pierre-Louis Girard of Switzerland disputed the pessimism of some of the UNCTAD Report's conclusions, commending the role of the IMF in managing indebtedness in developing countries, and citing positive efforts to halt protectionism. Together with Jean Louis Wolzfeld of Luxembourg, who spoke on behalf of the EEC, he advocated improved macroeconomic coordination between the industrialised countries as a way to redress imbalances restricting global recovery. Bernard Engel of the US rejected the idea of generalised solutions to the debt problem, attributing debt servicing problems to inappropriate domestic and external borrowing policies on the part of some developing countries. In opposition to the contention of the G77 that developing countries had reached the limits of austerity, and were dependent on the industrialised countries to alter external factors beyond their own control, the US representative insisted that the restoration of creditworthiness depended not on external solutions, but on the adjustment of developing countries' economic policies.

The TDB's President made an attempt to summarise the convergence of views within the discussion. He cited a 'generally recognised need for broad coordinated action to promote economic growth and development', and warned that the current transfer of resources from developing to industrialised countries 'endangers their political and social stability and is not tenable over a longer period.' He identified general support for the need of developing countries to develop their economies in such a way as to respond both to 'development priorities and growth opportunities', and for greater efforts from industrialised countries to foster a favourable environment for economic development, through such measures as increased ODA; increased capital and private financial flows; a reduction in interest rates; better aligned exchange rates; decreased protectionism; and consultations towards strengthening commodity markets.

The TDB also adopted two resolutions on technology: one concerning the technological transformation of developing countries in the pharmaceutical sector and the other requesting the examination by a group of intergovernmental experts of the transfer, application and development of technology in the energy sector. The Board also reiterated the need to implement previous resolutions on trade among countries with different economic and social systems, and adopted a resolution urging the international community to recognise the needs and problems of land-locked developing countries, particularly in the fields of cross-border transport and services.¹⁰

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● 'Should the superstructure collapse, the effects, like those of a nuclear war, would be devastating for everyone, the rich like the poor, the borrower like the lender.' Benson O Towne, speaking on behalf of the G77, on the precariousness of the current international financial situation.

'There is in fact evidence of a widening of the recovery and the prospects for sustained growth with lower inflation look good.' Bernard Engel, US representative, disagreeing with UNCTAD's pessimistic outlook for developing countries. *UNCTAD Bulletin* (Geneva) October 1985.

▲ UN General Assembly (UNGA)

Fortieth Session: fortieth anniversary commemoration

New York, 23 September–24 October 1985

■ The UNGA's fortieth session included three weeks of general debate from 23 September–11 October 1985, and a special commemorative session from 14–24 October 1985, which ended on the fortieth anniversary of the UN Charter's entry into force.

The special commemorative session was attended by representatives of the UN's 159 members, together with observers. (A draft resolution, tabled by India and five other non-aligned countries, to invite Yasser Arafat, the leader of the Palestine Liberation Organisation (PLO) and Sam Nujoma, the President of the South West Africa People's Organisation (SWAPO) had been withdrawn following a threat by President Reagan to boycott the session if a PLO representative was present.¹¹) One hundred and twenty speakers, including thirty-five Heads of State, eight Vice-Presidents, thirty-three Prime Ministers and forty-three special envoys attended the commemoration ceremony. It culminated in speeches on 24 October 1985 by representatives of the five permanent members of the Security Council (Britain, China, France, Soviet Union and US) together with the Prime Minister of India, as a representative of the Third World. Speeches given in the general debate and the special ceremony touched upon the whole range of issues with which the UN and the international community are concerned. Salient among these issues were debt, nuclear and space weapons and the forthcoming superpower summit in Geneva in November 1985, Southern Africa and the Middle East.

A plan to publicise the problem of Latin America's US\$360bn foreign debt from the platform of the UNGA had apparently been formed at the inauguration of Peruvian President Alan García Pérez in Lima, in July 1985. Mexico's President Miguel de la Madrid was, however, obliged to cancel his scheduled keynote address to the UNGA owing to the earthquake in Mexico City in September 1985. Instead, President José Sarney of Brazil delivered the first speech in the UNGA's annual general debate. As the leader of Latin America's largest debtor country, President Sarney focused on the economic problems of the region, and the cost of servicing foreign debts. He criticised international financial institutions, such as the International Monetary Fund (IMF), for prescribing inadequate adjustment policies, designed to generate trade surpluses to cover interest payments, which led, he maintained, to recession, unemployment and the relinquishing of the capacity to

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grow. These factors in turn jeopardised the social order and democratic structures. These domestic problems were, he added, compounded by international factors such as high interest rates, low commodity prices and protectionist barriers in industrialised countries against the exports of debtor countries. While disclaiming any wish to make debt an ideological issue or a matter for East-West or North-South confrontation, President Sarney urged reassessment of the problem, on the basis that the situation was unjust.

The Peruvian President, Alan García, also speaking on 23 September, denounced the IMF in stronger terms, as lacking the moral authority to 'preach austerity'. He warned that Peru would withdraw from the IMF unless the international monetary system was reformed, Peru's \$14bn debt was eased and international liquidity was 'fairly' distributed. He also reiterated Peru's stance of rejecting the IMF as an intermediary between Peru and its creditor countries.

The issue of the Third World's economic problems was, however, to an extent eclipsed in the debates by concern with East-West tensions and rivalry in the approach to the Gorbachev-Reagan summit in Geneva. On 24 September 1985, the US Secretary of State, George Shultz, had sought the UNGA's support for the US Strategic Defence Initiative (SDI). He had argued that deterrence would persist once space weapons were in place, but that it would operate by denying the prospect of successful attack to a potential aggressor, rather than by threatening mutual destruction through massive retaliation.¹² The Soviet Foreign Minister, Eduard Shevardnadze, had in turn rejected the concept of 'Star Wars', advocating instead his own concept of 'Star Peace', whereby the international community would cooperate to ensure the non-military use of outer space.¹³ Other speakers, including representatives of US allies, added their voices to that of Eduard Shevardnadze in questioning the validity of SDI. On 26 September 1985 the French Minister for External Relations, Roland Dumas, called for a ban by the superpowers on anti-missile and anti-satellite weapons, as well as appealing for substantial cuts in US and Soviet offensive nuclear forces. In his later address to the commemorative session on 24 October, Dumas added that France was determined to maintain its own independent nuclear defences until the superpowers gave a lead towards nuclear disarmament. Notwithstanding opposition from Bill Hayden, the Australian Foreign Minister, he confirmed that France would continue its programme of nuclear testing in the Pacific.

The Prime Minister of India, Rajiv Gandhi, continued the preoccupation with nuclear weapons in his address to the commemorative session. Denying that strategic superiority or even balance could bring peace, he advocated stability through coexistence and disarmament, commending the disarmament plan contained in the Delhi Declaration, known as the Five Continents Peace Initiative.¹⁴

In his own commemorative address on 24 October 1985, President Reagan departed from the theme of nuclear arms control, in what was seen as an attempt to redefine the agenda and priorities of the Geneva Summit. He challenged the Soviet Union to stop using 'military force and subversion to expand its global influence', suggesting a three-point plan to resolve conflicts in five regions: Ethiopia, Angola, Afghanistan, Cambodia and Nicaragua. The warring parties in the disputes would conduct negotiations, supported by separate talks between the superpowers, with the objective of securing the withdrawal of foreign troops and military advisers from the

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regions, and restricting the influx of outside arms. The plan then provided for generous US aid in the reintegration of these countries into the world economy. The US would meanwhile continue to support anti-communist guerrilla movements around the world until progress was made towards negotiated solutions.¹⁵ Eduard Shevardnadze followed President Reagan's address with a speech which made no direct response to the regional conflicts initiative. He did, however, denounce US-backed guerrillas in Nicaragua and Afghanistan as 'hired assassins', advocating the UN as the forum in which to resolve such conflicts. He moreover mentioned the Middle East and South Africa as areas of regional conflict conspicuously absent from President Reagan's catalogue.

Southern Africa featured prominently in the speeches of African leaders, many of whom warned of an impending conflagration in South Africa unless economic sanctions were applied to hasten the dismantling of apartheid. President Kenneth Kaunda of Zambia expressed disappointment over the inadequacy of the measures consented to by Britain at the Commonwealth Heads of Government Meeting in October 1985. Zimbabwe's Foreign Minister, Witness Mangwende, informed the UNGA that his country was prepared to accept the consequences of South Africa's reprisals for the mandatory application of economic sanctions. In a further African development during the session, the Moroccan Prime Minister, Mohamed Karim Lamrani, read out a message from King Hassan II. It offered an immediate ceasefire in Western Sahara and a UN-supervised referendum in January 1986, to allow the inhabitants of Western Sahara to decide their own fate.

The Middle East issue surfaced in several forms during the course of the session. On 16 October 1985, the UNGA rejected an attempt backed by all the Arab states except Egypt, Jordan and Oman, and by the socialist states, to expel Israel from the Assembly. The move was defeated by forty-one votes to eighty, with twenty abstentions. On 21 October 1985, Israel's Prime Minister, Shimon Peres, offered an end to the state of war with Jordan, proposing the UN as an international forum for the launching of a peace process. He urged the UN to initiate direct talks between Israel and Jordan before the end of 1985, with the object of reaching peace treaties between Israel and the Arab states, and resolving the Palestinian issue. He also advocated a new demarcation of boundaries. He did not explicitly rule out PLO participation in the talks, which was an essential prerequisite for King Hussein of Jordan, but asked for 'men of peace not violence'. A Middle East issue, however, proved the chief obstacle to the adoption of an anniversary declaration expressing the UN's purposes, which a special committee had been drafting for a year. Arab countries, with the support of the Non-Aligned Movement, had called for the inclusion of an appeal for Israel's withdrawal from the occupied territories, while the US had proposed a more general reaffirmation of the UN's commitment towards a comprehensive settlement in the Middle East. The difference blocked agreement on the declaration, which was abandoned.

Notwithstanding this demonstration of UN paralysis, the session was characterised by general recognition of the value of the organisation, particularly for the small and weak states among its members, for whom the UN Charter was seen to provide essential protection. The commemorative session ended with the UNGA's proclamation of 1986 as the International Year of Peace, a resolution sponsored by fifty-two states, and passed by consensus.¹⁶

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● 'Brazil will not pay its foreign debt with recession nor with unemployment, nor with hunger. We believe that in settling this account, at such high social cost, we would then have to surrender our freedom, for a debt paid for with poverty is an account paid for with democracy.' President José Sarney of Brazil, in his speech to the UNGA. *Brazilian Mission to the UN*, Address by José Sarney, 23 September 1985.

'A catastrophic explosion which will engulf all of us in the region is imminent . . . If you don't apply sanctions, hundreds of thousands of people will die and the investments will go up in flames. With sanctions there is a possibility of recovery.' President Kenneth Kaunda of Zambia advocating sanctions against South Africa, in his speech to the UNGA. *IHT* (Paris) 24 October 1985.

'The meetings were marred by North-South tensions, and in particular, by the Middle Eastern questions . . . A number of nations used the declaration as a point-scoring exercise.' Harry Feldman, US delegate on the declaration drafting committee, which failed to reach agreement. *IHT* (Paris) 26-7 October 1985.

'Certain countries are not willing to work together to produce a result which is acceptable to everyone.' Rajiv Gandhi, Prime Minister of India, commenting on the failure of the US to agree with the other countries over the final anniversary declaration. *IHT* (Paris) 26-7 October 1985.

▲ UNESCO Executive Board

122nd session

Paris, 11-28 September 1985 and Sofia, 8 October-8 November 1985

UNESCO General Conference

23rd session

Sofia, 8 October-9 November 1985

■ One hundred and fifty-two of UNESCO's 160 member-countries were represented at the biennial conference, which met to assess reforms proposed over the past eighteen months, and to consider a draft programme and budget for 1986-7. The conference, taking place on the fortieth anniversary of the founding of UNESCO, was widely considered to be crucial to the organisation's future. It was the first session since the US withdrawal at the end of 1984, and was overshadowed by the threat of other countries, particularly Britain, following suit.

The meeting opened with an appeal from the outgoing conference Chairman, Said Tell of Jordan, for the US to reconsider its withdrawal, and to return to the organisation as soon as possible. The British Minister for Overseas Development, Timothy Raison, confirmed in a speech that Britain, which had given its notice to withdraw on 5 December 1984, would leave at the end of 1985, unless more thorough and comprehensive reforms were implemented. Among these he included the conducting of fewer abstract studies; more decentralised activity in the field, at the expense of work in the Paris headquarters; less political bias; less duplication with other UN agencies; and the creation of a permanent mechanism for member-countries to monitor the Secretariat when the biannual Executive Board was not in session. Singapore, like Britain, had earlier given its notice to withdraw, and other

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members known to be reconsidering their position in the organisation were Japan, West Germany, Denmark, the Netherlands, Canada and Iceland.

The conference considered various precedural problems raised by the US withdrawal. It heard a call by the Soviet Union, supported by countries including Algeria, India and the Cameroon, for US nationals employed by UNESCO to be dismissed first as part of the staff cuts made necessary by the loss of the US's 25 per cent budget contribution. During the preceding Executive Board meeting in Paris, UNESCO's Director-General, Amadou Mahtar M'Bow, had warned that as many as 570 posts would be lost, together with the 100 frozen earlier, at a total saving of \$45m. He had also, however, argued against subjecting the US members of the international staff to discrimination in job losses. The conference unanimously decided that the 129 existing US staff at the UNESCO headquarters would not automatically lose their jobs, but that withdrawing states would forfeit their quota posts in the Secretariat in the future. The conference heard objections to the US's assumption of observer status since its withdrawal. It decided that the Executive Board should be empowered to consider each application for observer status on its merits, though there would be reciprocal conditions attached to the observer and to UNESCO. An unsuccessful move was led by Algeria to take the US to the International Court of Justice for a decision on its financial obligations to UNESCO, since it had withheld the remainder of its contribution for the 1984-5 biennium. A compromise wording of the proposed resolution, drafted by Algeria and Canada, merely requested that the executive discuss with the US its outstanding annual contribution of \$43m, and rule on future cases of mid-term withdrawal, and was agreed by consensus.

The conference, in an unusual show of unanimity, agreed by consensus the programme and budget, drafted by the Director-General. It adopted a provisional, zero-growth budget ceiling of \$398m for the biennium 1986/7, which would amount to \$307m after the 25 per cent US shortfall was taken into account. As recommended by the previous Executive Board session,¹⁷ programme cuts were to be made, ensuring that, as Britain had insisted, members incurred no extra costs as a result of US withdrawal. Fourteen major programmes for the biennium were approved, giving top priority to educational activities, and a drive to end illiteracy by the end of the century. Scientific activities, such as the training of professional personnel, and cultural activities in the field of protecting historical monuments and preserving cultural distinctness were also emphasised. Programme 13, on peace and disarmament, which was opposed by Britain, was amended to preclude its covering technical aspects of the subject, considered more appropriate to other agencies. The controversial programme on the New World Information Order was formally approved, though without emphasis or the suggestion of urgency. Other comments were made on such subjects as world peace, racism and apartheid; a distinction was adopted, with Britain's approval, between human rights and people's rights; and of the hundred or so resolutions passed by the conference, all but two (concerning Jerusalem and the Arab occupied territories) were adopted by consensus.

West Germany and Japan were among other countries reported to have expressed their satisfaction over the extent of the reforms initiated. Doubt still remained, however, as to the British assessment, despite the contention of many UNESCO members that they had achieved a high degree of consensus, and accommodated

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British demands to an unprecedented extent. The British representative confirmed that a decision would be taken in December on Britain's membership.¹⁸ The Soviet Union, meanwhile, surprised the conference by making it known that it was seeking the return of the US to the organisation for 'political' as well as financial reasons. Its representatives, and those of other socialist countries, were reported to be considering withholding their support from Amadou M'Bow, should he seek a third term when his present term as Director-General expired at the end of 1987, if his departure could secure a US return.¹⁹

The Executive Board meeting, which had begun in Paris and continued alongside the conference in Sofia, decided to establish a mechanism to follow the implementation of the reforms approved by the Board. The monitoring body was to be the Board's Special Committee, composed of eighteen members. It was made clear, however, that the Committee would not perform a supervisory role as regards the Director-General or the Secretariat. The fifty-one member Board, twenty-six of whose members has ended their four-year mandate and seen their replacements elected by the conference, also adopted the Board's 1986-7 work programme.²⁰

The next UNESCO conference was scheduled for 1987, in Paris.

● 'UNESCO has proved here that at a point when some predicted its death it is in a condition to display goodwill for mutual understanding and a desire for steady improvement.' Amadou Mahtar M'Bow, Director-General of UNESCO, to the conference. *Xinhua News Agency* 11 November 1985.

The Algerian and Canadian compromise resolution on the financial obligations of the US was 'the climax of almost a year of debate, the healing of old wounds, and the turning of our faces to the future'. David Wilson, the Canadian delegate. *The Guardian* (London) 5 November 1985.

'We insist on thoroughgoing and comprehensive reform. Without it our intention to withdraw will be confirmed.' Timothy Raison, British Minister for Overseas Development, in his speech to the conference. *IHT* (Paris) 15 October 1985.

'The organisation cannot live in a permanent climate of reform proposals.' Gisèle Halimi, the French delegate, making clear that the Executive Board's Special Committee was not empowered to make reform proposals on its own initiative. *UN Press Release* UNESCO/2513, 6 November 1985.

▲ Food and Agriculture Organisation (FAO)

Conference of Agriculture Ministers: 23rd Session
Rome, 9-28 November 1985

■ Dubbed a 'world food summit' by FAO, the biennial conference of FAO's supreme government body was attended by ministers or their representatives from the 156 member-countries. They reviewed the global food and agriculture situation over the previous two years and considered a draft programme and budget for the next biennium, drawn up by the FAO Director-General, Edouard Saouma. On 14 November a special ceremony was held to mark the FAO's fortieth anniversary, at which the conference was addressed by the Indonesian President, General Suharto, and the French President, François Mitterrand.

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In his opening speech, Edouard Saouma said that the past two years had been a good period for the majority of the world's farmers, fishermen and foresters but that Africa had suffered crippling drought and famine. He announced that the most acute famine was now over in all but five of the twenty-one drought-affected countries of Africa: Angola, Botswana, Ethiopia, Mozambique and Sudan. The emergency had receded due to a dramatic increase in food production in the eight semi-arid countries bordering the Sahara²¹ but he emphasised that these countries still remained heavily dependent on imports to meet structural food shortages. Despite the worst of the drought having ended, Africa was to remain the FAO's regional priority. The conference accordingly approved a report on the critical food situation in Africa in which it was stressed that efforts towards raising agricultural production should be maintained despite the improved 1985 crop and that the long-term problems of population increase and desertification should be addressed. The conference approved the programme and budget for 1986-87 the latter amounting to some US\$448m. Twelve industrialised countries including the US, Japan, Switzerland, the UK and other EEC countries abstained in the vote in protest that their recommendation of a zero-growth budget had not been followed. The new amount represented a 1.14 per cent increase in real terms over the 1984-85 budget of \$421m. However, in practice most countries' contributions would probably have fallen owing to changes in the Lira:Dollar exchange rate. In spite of an earlier cut in the proposed increase in spending from 1.4 to 1.14 per cent in deference to the industrialised countries, and \$4.7m worth of administrative economies to permit a 3.8 per cent growth in the FAO's technical and economic activities, the abstaining countries insisted that the FAO could cut costs still further while maintaining its level of services.

The conference approved a draft World Food Security Compact presented by Edouard Saouma and approved by the FAO Council in June 1985. Although not legally-binding the compact committed governments, non-governmental organisations and individuals to ensuring that everyone always had the means to produce or procure the basic foodstuffs they needed. Guidelines were set out for the achievement of this objective, including suggestions that developing countries should avoid dependence on imports for food supplies to their cities and that developed countries should consider their global responsibilities when formulating policies on food production, storage and exportation. The compact was an attempt to mobilise political and public opinion to urge the eradication of hunger and malnutrition. Addressing the question of world food security at the fortieth anniversary ceremony, the Director-General listed six goals for the FAO in the coming years: eradicating malnutrition and starvation, promoting grain production where grain was scarce, protecting natural resources indispensable to agriculture, forestry and fisheries, strengthening the position of developing countries in world trade, promoting rural reforms and ensuring greater security in world grain production.

Ministers considered a new FAO study on 'Agricultural Price Policies' which examined the price bias against agricultural commodities in developing countries proposing more effective pricing policies for these countries and noting the influence of industrialised countries' policies on the effectiveness of pricing measures in developing countries. They also approved a draft international Code of Conduct on

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the Distribution and Use of Pesticides. Designed particularly with developing countries lacking controls of their own in mind, this code was the culmination of three years of negotiation and represents the first international attempt to regulate the handling, trade and safe use of pesticides.

The conference tentatively agreed a plan, proposed by developing countries, to establish a new global system for collecting and storing the endangered genetic resources of plants, to be financed by the industrialised countries. The developing countries argued that most of the plant genes which had increased the world's food supply had been found in the Southern hemisphere and that countries there should be compensated for seeds and plants found within their borders but gaining profit for seed companies elsewhere. The US, however, supported in its opposition to the plan by Canada, New Zealand, Australia, Japan and Britain, maintained that the new system would be redundant at best and at worst would result in undesirable restrictions on genetic developments by limiting access to plant material for scientists.

The conference agreed to admit the Cook Islands and the Solomon Islands to membership of the FAO, bringing the total of member-states to 158.²²

● It is important to keep perspectives. The rains have recovered; Africa has not'. Mr Edouard Saouma, FAO Director-General, *Financial Times* (London) 8 November 1985.

Scientists have always had free access to genetic material held by the existing network. We haven't been assured this would happen with a new programme'. Millicent Fenwick, US Ambassador to the conference, *IHT* (Paris) 29 November 1985.

INTERNATIONAL MONETARY FUND (IMF) AND WORLD BANK

▲ Intergovernmental Group of 24 (G24)

Meeting of Deputies

Washington DC, 19–21 August 1985

■ At a specially convened meeting, G24 deputies completed a report on 'The Functioning and Improvement of the International Monetary System'.²³ In contrast to an earlier report of the Group of 10 (G10) industrialised countries, which had concluded that the current international monetary system remained valid and required no major changes,²⁴ the G24 report, while covering broadly the same topics, recommended far-reaching reform.

The report criticised the current system of floating exchange rates as conducive to a high degree of short-term volatility and misalignment of currencies, resulting in uncertainty, reduced trade and investment, and a misallocation of resources. These problems, it said, had particularly harmed the developing countries, adversely affecting their volume of trade, and increasing their need to keep larger reserves. The report recommended the adoption of target zones for the exchange rates of the major currencies; policy coordination among the industrial countries; intervention in the exchange market; and a mechanism to trigger consultations when there was any indication of excessive fluctuations or misalignment of major currencies.

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The G24 report was critical of the inefficacy of IMF surveillance of the exchange rate policies of the industrialised countries, which it argued were responsible for the disproportionate burden placed on developing countries. It recommended more effective, continuous monitoring, and the application of more pressure on these countries to conform to IMF prescriptions. With regard to the developing countries, the report suggested that IMF policy recommendations should promote 'adjustment consistent with economic development'.

It upheld the confidentiality of consultations between the IMF and member-countries. In a section on debt, the G24 report argued that the problem required 'imaginative solutions involving debt restructuring and relief'. It suggested that industrial countries should discourage the loss of resources from developing countries experiencing serious capital flight problems; that interest rates should be more closely aligned to 'the real cost of funds'; that protectionism in industrialised countries be curbed, and access to developing country exports be improved; and that official capital flows to developing countries be increased. The World Bank was advised not to attach too much importance to policy-based lending, or to increased conditionality criteria in its lending, and greater IMF flexibility in rescheduling was advocated.

The report recommended an increase in international liquidity. It suggested that an annual allocation of at least 15bn Special Drawing Rights (SDRs) should be made, with distribution based on the needs of developing countries. Advocating a general liberalisation of the IMF's programmes and policies, and their more flexible application, it argued for greater voting power for developing countries within the fund. Other recommendations included:

- Extending the compensatory financing facility to cover quantifiable deterioration in terms of trade.
- Establishing a facility to compensate for interest rate increases.
- Reviving the IMF Trust Fund which makes concessional loans to low-income countries.
- Continuing and extending the policy of enlarged access to IMF funds.
- Increasing the resources of international institutions, particularly the World Bank Group.

The report also called for the establishment of a representative committee of ministers from industrialised and developing countries to study both the G24 and G10 reports in depth as a step towards convening an international conference to consider the reform of the international monetary system. Meanwhile, the G24 deputies agreed that the report be transmitted to the IMF Interim Committee, at its forthcoming meeting in Seoul.²⁵

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▲IMF Interim Committee

25th Meeting

Seoul, 6–7 October 1985

IMF/World Bank Development Committee

27th Meeting

Seoul, 7 October 1985

40th Annual Joint Meeting of the Boards of Governors

Seoul, 8–10 October 1985

■The dominant themes of the IMF and World Bank annual meetings in Seoul were the furtherance of economic growth in indebted developing countries, and an enhanced role for the World Bank. The focus of the plenary conference, attended by representatives of 149 countries, was a new initiative by US Treasury Secretary, James Baker. The Baker plan, designed to stem the decline in financial flows to debtor countries, was officially unveiled after preliminary meetings of the two IMF and World Bank advisory committees.

Ministerial representatives of developing countries had listed their proposals in a communiqué of the Group of 24 (G24) which had met in Seoul on 5 October 1985.²⁶ Urging reform of the international monetary and financial system, they called for the US fiscal deficit and interest rates to be reduced, and for a curbing of protectionism in developed countries. On the debt problem they advocated a move from 'negative' adjustment towards more 'positive' growth-oriented adjustment, and emphasised the co-responsibility of debtors and creditors. Debt service, they said, should not claim an 'unreasonable proportion' of a debtor's export earnings. The communiqué called for rescheduling restructuring operations to take account of natural disasters and other exogenous developments, in the wake of the Mexico City earthquake on 19 September 1985. Also required was an IMF facility to compensate for increases in interest rates; new credits from official export credit agencies for developing countries which had had their debts rescheduled, or were in critical need; Multi-Year Rescheduling Arrangements (MYRA) not to be conditional on 'enhanced surveillance' by the IMF; and the establishment by the Development Committee of a Task Force to study debt. In addition, G24 ministers urged a doubling of the capital of the World Bank; an eighth replenishment of funds for the International Development Association (IDA VIII) which would help compensate for the inadequacy of IDA VII resources, and take into account the increased needs of developing countries; the extension of enlarged 'access' to IMF funds which had come under threat in 1985; an allocation of 15bn Special Drawing Rights (SDRs) by the end of 1985 and regular SDR allocations thereafter; and more special help for sub-Saharan Africa, including the granting of Trust Fund reflows on the same terms as the original loans from the Trust Fund. They expressed firm opposition to attempts to introduce macroeconomic conditionality for IDA loans, and to collaboration between the IMF and the World Bank in the use of the Trust Fund, which they feared would inevitably result in cross-conditions being attached to loans.

In a move welcomed by the Development Committee, the Interim Committee endorsed the proposal that repayments to the IMF Trust Fund be used to provide additional concessional balance-of-payments assistance, on terms similar to those applied to trust fund loans, to low-income countries also eligible for IDA loans. These

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repayments would amount to approximately SDR 2.7bn over the period 1985–91 during which time China and India undertook not to use the facility, despite being eligible to do so. Loans from the fund were, however, to be conditional upon countries' efforts towards medium-term structural adjustment and growth. In pursuit of this adjustment, the Interim Committee advocated close collaboration between the IMF and the World Bank, 'while avoiding cross-conditionality'. Despite US pleas for a return to standard borrowing levels existing before the onset of the debt crisis in 1982, the Interim Committee decided to continue enlarged access to IMF funds for 1986, but with a small reduction in the amount countries could borrow above their quotas. No agreement could be reached on an allocation of SDRs in the period 1982–6. It was, however, decided that the IMF Executive Board should undertake a review of the role of the SDR as a matter of priority. Finally, the Interim Committee gave preliminary consideration to two reports, by the Group of 10²⁷ and by the Group of 24,²⁸ on the international monetary system. The reports were to be considered more fully at the Spring 1986 IMF and World Bank meetings, after they had been studied by the IMF Executive Board.

The Development Committee communiqué stated that 'the World Bank has an increasingly important role to play in restoring growth'. It gave its support both to an enhanced role for the Bank in assisting adjustment (designed to implement policies to 'promote efficiency and mobilise domestic savings'), and for a substantial expansion of the Bank's lending programme. 'The Bank should not be constrained by lack of capital or borrowing authority in meeting future demand', the ministers stated. Tentative endorsement of the possibility of an increase in the general capital of the World Bank, by the US Treasury Secretary, James Baker, represented a departure from previous US refusals to countenance such an expansion. Ministers expressed concern about the financial resource problems of sub-Saharan African countries, requesting a study on the subject from the World Bank. Finally, the Development Committee echoed the Interim Committee's concern over protectionism, welcoming progress towards preparations for a new GATT round.²⁹

In a separate meeting of deputies of the IDA, in Seoul, a decision was announced to begin negotiations for IDA VIII in Paris in January 1986, in an attempt to conclude them by next year's annual meetings. The US agreed in principle to an increase in funds from the industrialised countries to the IDA, despite its previous reluctance to contribute to IDA VII. Notwithstanding the opposition of G24, it insisted, however, on stricter lending conditions which included urging recipient countries to adopt market-oriented policies. No figure was publicly discussed for IDA VIII, though it was speculated that a sum of \$16bn could be considered, as against an IDA VII of \$10.3bn.

In a speech to the plenary conference which followed the committee meetings, Jacques de Larosière, the Director of the IMF, stressed the need for economic growth in indebted developing countries, to enable them to 'grow out of debt'. He set out three main conditions for the achievement of a growth rate of 4½–5 per cent in developing country debtors: a growth rate of around 3 per cent in the industrial world; adequate foreign finance; and economic adjustment policies in debtor countries such as a reduction in budget deficits, which would encourage investment. James Baker, unveiling his 'broad-based, integrated' approach to the debt problem, underlined the need to invite investment to debtor countries. In his first speech to the

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joint conference since he succeeded Donald Regan as US Treasury Secretary, he described a programme for sustained growth, to operate within the context of the existing case-by-case approach, which would have 'three essential and mutually reinforcing elements':

- The adoption by principal debtor countries of comprehensive macro-economic and structural policies towards growth, balance-of-payments adjustment, and the reduction of inflation;
- The continuation of a central role for the IMF, combined with increased and more effective structural adjustment lending by multilateral development banks (MDBs), in support of market-oriented policies in debtor countries;
- Increased lending by private banks to enable major debtor countries to undertake adjustment programmes. A figure of US\$20bn in net new lending to fifteen of the largest debtors over the next three years was suggested.³⁰

In addition to extra financial flows from commercial banks, the plan involved a 50 per cent, or US\$3bn per year, rise in World Bank and Inter-American Development Bank lending to the fifteen principal debtors (from the current annual lending of \$6bn). It incorporated a supplementary fund from the World Bank, the US and other rich donors of \$5–6bn, and \$2.7bn from the IMF Trust Fund, for countries with a per capita income of less than \$550. This last proposal was a modification of Baker's initial suggestion for a joint IMF and World Bank fund of \$5.4bn for the least developed countries, particularly in Africa. The original plan was for money to come equally from both agencies, and be supplemented by commercial bank funds guaranteed by the World Bank, and jointly administered to countries undertaking adjustment. The plan, however, had met with opposition from developing countries, which feared a straining of the World Bank's assets, and cross-conditionality resulting from IMF/World Bank collaboration. Some industrialised countries had also opposed it, on the basis that the World Bank's guaranteeing of commercial loans would compromise its institutional integrity and jeopardise its high credit rating. Baker had finally withdrawn the proposal at a meeting of the Group of 5 (G5) on 5 October 1985,³¹ which had been called as a follow-up to the September 1985 G5 agreement on currency intervention to reduce the value of the dollar.³²

Reactions to the Baker plan were mixed. While the conceptual shift from austerity to economic growth in debtor countries was generally welcomed, there was concern among developing countries over the modest contribution expected of commercial banks—only a 2½ per cent annual lending increase over its current level of \$300bn. Both World Bank President, AW 'Tom' Clausen, and the IMF's Jacques de Larosière endorsed Baker's appeal for commercial bank lending, but it was not clear how private banks could be induced to lend even this amount of money, despite Baker's contention that it was in their interests to do so, provided the recipients were stimulating growth through adjustment policies. The shift in emphasis from the IMF to the World Bank was also generally seen as a salutary move as it would mean a change from short-term crisis lending to longer-term development. Fears were, however, expressed for the integrity of the World Bank as a development institution if its loans were to become increasingly conditional on political criteria, including the adoption by debtors of such policies as tax cuts, denationalisation and deregulation of prices and wages. If, on the other hand, World Bank loans were to remain too 'soft' in the eyes of some creditors, there was concern that the Bank could undermine

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the authority of the IMF by lending money to countries which were not conforming to the IMF's strict conditionality. Scepticism concerning the proposal also arose on account both of US reluctance to commit itself unconditionally to an increase in the World Bank's capital, and of unease over US macro-economic policy. A further reduction in the dollar, lower interest rates and a curbing of protectionism were all seen by developing countries, as well as by European representatives, as vital to an improvement in the world economy.

The unveiling of the new approach did nothing to soften the Peruvian position on the international monetary system.

The Peruvian Prime Minister, Luis Alva Castro, launched a scathing attack on the IMF, accusing it of being a political institution perpetuating colonialism, and constraining the national sovereignty of debtor countries. He reiterated an earlier threat made by President Alan García at the United Nations General Assembly to withdraw from the IMF; reaffirmed Peru's policy of confining debt service repayments to ten per cent of Peru's export revenues; affirmed Peru's decision to negotiate with its creditors outside the framework of the IMF; and called for a special UN Conference for the reform of the international monetary order, and the creation of a new international currency. Baker made it clear that maverick countries such as Peru would not benefit from his proposals. Other Latin American debtors, particularly Mexico and Brazil, were reported to have dissociated themselves from the Peruvian position.³³

A formal decision was taken at the meeting to establish a Multilateral Investment Guarantee Agency (MIGA), subject to the enrolment of five developed and fifteen developing countries, and their total contributions of \$360m. It is designed to boost investment flows into developing countries by guaranteeing direct investments (plants and plant loans, not portfolio investments) against non-commercial risks such as war; government expropriation; blocks on the transfer of currency, for repatriation; or breach of contract without effective recourse, all previously inadequately covered by bilateral treaties or national agencies. The creation of MIGA had long been opposed by developing countries, notably Brazil and Mexico, for fear of its giving an unfair advantage to foreign competition over local companies.

At the meeting, Tom Clausen announced his intention to leave office as President of the World Bank, at the end of his five-year term in June 1986.³⁴

● If developing countries implement growth-oriented reform; if the commercial banks provide adequate increases in net new lending to good performers; and if increased demand for quality World Bank lending demonstrates the need for increased capital resources, we would be prepared to look seriously at the timing and scope of a general capital increase.' James Baker, US Treasury Secretary. *Sunday Times* (London) 13 October 1985

'If the banks participate in this it will be because they find it is in their self-interest . . . They've got loans in trouble. It's like any other workout situation. It's possible that reflows will make bad loans into good loans.' James Baker, at a hearing before the House of Representatives Banking Committee. *IHT* (Paris) 24 October 1985.

'More growth-oriented policies are possible in Latin America only if there are lower interest rates. This is an American task, not a European task.' Dr Onn Ruding, Dutch Finance Minister and Chairman of the Interim Committee. *Financial Times* (London) 9 October 1985.

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'Clearly, the developing countries will not be able to expand their exports, reestablish their creditworthiness and diversify their output if they have to cope with protectionist policies of the industrial countries.' Mamoudou Touré, Senegalese Minister of Economy and Finance, and Chairman of the joint annual meeting. *Financial Times* (London) 9 October 1985.

'There should be an end to the era in which a single country imposes the conditions for the existence of the rest . . . We do not accept that a single country can be subject to no control whatsoever while the Third World is condemned to hunger for the sake of economic equilibrium.' Luis Alva Castro, Peru's Prime Minister, speaking against the US. *South* (London) November 1985.

COMMODITIES

▲ International Natural Rubber Organisation (INRO)

Council Meeting

Kuala Lumpur, 4-6 November 1985

■ The thirty-three members of the International Natural Rubber Agreement (INRA) considered the question of financing a contingency buffer stock of 150,000 tonnes when the existing INRO stockpile reaches 400,000 tonnes. The buffer stock, INRA's price-support mechanism, was already estimated to have reached 370,000-400,000 tonnes.

At the previous council meeting in August 1985,³⁵ the consumer countries had already agreed to finance extra stockpile purchases with cash. Producer countries on the other hand had requested the INRO buffer stock manager to consider raising funds through bank loans, using his existing stockpile as collateral. A report by the INRO secretariat, however, indicated a firm preference on the part of banks for guarantees from member governments, rather than rubber stock warrants, to secure loans.

The Council agreed at its November meeting to finance the contingency stockpile with cash once it became necessary. Producing countries, including Malaysia (which had been under pressure from its smallholders to withdraw from INRA on the grounds that it favoured consumers' interests rather than Malaysia's)³⁶ agreed to this decision.

Consumer countries were also reported to have suggested an early resumption of talks on a second rubber agreement since INRA was to expire at the end of November and had merely been extended for another two years.³⁷

▲ Association of Tin Producing Countries (ATPC)

Annual Ministerial Meeting

Canberra, 17-18 September 1985

International Tin Council (ITC)

Fourteenth Session

London, 25-27 September 1985

■ Ministers of the six producer countries of the sixth International Tin Agreement

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(ITA), namely Australia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, met in their capacities as members of the ATPC. They agreed to make various recommendations to their respective governments prior to the ITC meeting with consumer countries which were designed to support the ITA in the face of falling tin prices.

The ITA regulates the price of tin by means of both export quotas and buffer stock management and currently has twenty-two members of which Canada, Japan, Spain, Switzerland and the EEC and Nordic countries are consumer countries. The ITC was in need of extra funds to allow its buffer-stock operations to continue, having made extensive tin purchases in order to keep prices above the ITA's floor price of £8,500 per tonne. Prices had been falling on account of a world oversupply of tin resulting from several factors: rising production and sales by non-ITC-member producers such as Brazil, China and Bolivia which together represented about 40 per cent of the market; low consumption levels; the high incidence of tin smuggling to evade ITA export controls and US sales from its General Service Administration (GSA) strategic stockpile of tin.

ATPC ministers agreed to recommend that their governments make 'significant and effective' cash contributions to the ITC. They agreed to approach non-ITC-member producers to try to secure production limitations and decided to press the US to reduce sales from the GSA stockpile. They also planned to intensify their efforts to prevent tin smuggling and to increase their budget allocation for research and development on new uses of tin, to encourage consumption.³⁸

The ITC decided to continue to restrict producers' sales to 60 per cent of their normal export quotas for the October-December 1985 quarter. The council also received a report from its preparatory committee which had been charged with preparing a seventh agreement when the sixth expires in 1987. Acting on the committee's recommendation, the Council deferred a negotiating conference for a new agreement from 13-31 January 1986 to 30 June-18 July 1986. The council also noted the ATPC's recommendations to its member governments and within a short time of the end of the session it was announced that producer countries had pledged £60m in additional funds for the buffer stock.³⁹

▲ International Tin Council (ITC)

Special Sessions

London, 29-30 October; 6-7 November; 14-15 November; 20 November and 2-20 December 1985

Fifteenth Session

London, 18-20 December 1985

■ The ITC began a number of full, emergency sessions following the cessation of buffer stock operations on 24 October 1985. These sessions all ended without a solution being found to the 'tin crisis', although a number of proposals were made by ITC members and ITC creditors.

After the price of tin had fallen to £8,140 a tonne, well below the ITA's floor price of £8,500 per tonne, Pieter de Koning, the ITA buffer stock manager, had announced

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that he had run out of funds and was withdrawing ITA price support. When this occurred, the ITA's tin stockpile was 62,000 tonnes, and had cost £500m. These buffer stock purchases had been financed with £200m from ITA member-governments and about £300m in loans from fourteen banks and two other financial institutions which had accepted the existing stockpile as collateral. The ITC also had outstanding contracts with brokers to purchase more tin, which had to be fulfilled by 23 January 1986.

When the ITC announcement had been made, the London Metal Exchange (LME) had suspended tin trading indefinitely to prevent panic selling and a sudden fall in prices. Subsequent decisions were made by the LME to extend this suspension and it remained closed throughout the period of the emergency sessions. The second largest tin trading market in Kuala Lumpur also suspended trading and the US ceased sales from its General Service Administration (GSA) stockpile.

The ITC met to consider possible courses of action. With regard to finances, the options discussed were that extra funds could be injected by members into the ITC (particularly the £60m pledged by producer countries but not yet received) and ITA member-governments could pledge themselves to honouring the ITC's debts and to guarantee further bank borrowing. As for the ITA, the Council could decide to continue price support but at a reduced price level or gradually run down the ITC's stocks and cease operations.

At the first emergency session on 29–30 October 1985, it became apparent that producer countries, particularly Malaysia, were unwilling to pledge more funds unless consumers did so first and that consumer countries were anxious for the tin price to be lower and were equally unwilling to pledge more funds. A statement to the Council from the LME asserted that the ITC and its members were in default to LME members and appealed to ITC members to honour their debts.⁴⁰ Continued closure of the LME threatened, it said, to create secondary markets elsewhere which would supersede it entirely. In another move on 29 October 1985, the LME had attempted to restore confidence in the tin market by persuading its members with outstanding contracts with the ITC to pay £1,000 security deposits for each tonne of tin involved at a total cost of £50m. Notwithstanding these efforts, the first session ended without a decision on the debt issue.

Before the second meeting on 6–7 November 1985, two developments occurred. On 1 November 1985, the British government intervened in the tin crisis. Leon Brittan, the Trade and Industry Secretary, urged other members of the ITC to honour their debts outstanding on 24 October 1985 to banks and metal brokers and to enter into no new commitments. He also asked the ITC to reconvene earlier than its scheduled date of 12 November. Britain was apparently concerned about the future of the LME, which earns the country an estimated £200m annually in invisible earnings and about the future of London as a financial centre. Consequently, its government was understood to be willing to honour its own share of the ITC debt which amounted to roughly 4 per cent of the total.

Shortly after this intervention, the sixteen ITC creditors which had formed an informal emergency committee, announced their own proposal. They offered to defer repayments of principal on their £352m loans to the ITC and of interest due for twelve months. In return, they wanted producers to pay the £60m they had pledged in September and ITC member-governments to guarantee the ITC's outstanding

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debts and provide sufficient cash to reactivate buffer stock operations in the future or to cease operations in an orderly manner, meeting all existing liabilities.

At the ITC meeting however only 'preliminary consideration' was given to this proposal and to a British proposal to set up a working group to consider ITC options, with no decisions being taken on the main issue of the debts. A split had emerged between Britain and other members of the EEC (particularly West Germany) who were reluctant to accept legal liability for ITC contracts. The EEC decided after a meeting in Brussels prior to the session, to conduct an independent audit on the extent of possible liability before making any commitments.

The third emergency session on 14-15 November 1985 considered a £900m refinancing proposal by thirty-five banks, including ITC creditors. The banks were offering to renew for twelve months the £352m loans on the existing stockpile and to commit a further £550m for three years to meet outstanding commitments to purchase tin from brokers. The deal was subject to various conditions: ITC member governments were to guarantee its debts; the ITC's operations, it was assumed, would be gradually dissolved; and creditors would hold a deposit in tin of 10 per cent of the value of their loans. The proposal was backed by threats of legal action both against the ITC and its member's governments. The session merely appointed an eight-member working group to consider the package, and Britain remained the only country willing to commit itself to guarantees. The working group also met with LME members to consider ways of organising a 'soft landing' for tin prices to prevent their sudden collapse when LME trading resumed on 18 November as it was scheduled to do. In the event, however, resumption of trading was further deferred with a final ultimatum for reopening set for 31 January 1986.

At the fourth emergency session, it was simply decided that the ITC would remain in session from 2 December 1985 until 'a definitive decision on resolving the tin crisis' had been reached. This continuous session began with separate meetings of consumer and producer countries in an effort to coordinate their positions. While the banks' proposal was considered too onerous, some form of 'burden sharing' between ITC-member governments, creditors and LME brokers was mooted as a possibility with hopes growing for a compromise on the part of those EEC members previously opposed to accepting government liability. A nine-member ITC working party received an informal offer from the LME to accept a negotiable 10 per cent loss in the process of reducing the ITA stockpile and discussed burden sharing with bank creditors, who had so far refused to accept less than 100 per cent repayment on their loans. Agreement was effectively prevented, however, by continued differences within the EEC. At a meeting in Brussels on 17 December, West Germany, France and Holland blocked agreement on the honouring of ITC debts, despite previous signs of a softening in their positions.

ITC producer countries suggested their own proposals for negotiating with creditors. These negotiations in their view would have to take place without prior commitments or admission of legal liability and with the intention of securing greater contributions from creditors and brokers than had previously been offered. These proposals received no support from consumer countries but an informal working party was set up to consider if they could be made acceptable to consumers. The emergency session was adjourned on 20 December 1985 until 14 January 1986 with the crisis still unresolved.

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The fifteenth ordinary session running concurrently with the emergency session, decided to renew the export controls due to expire at the end of December for a further quarter.⁴¹

DISARMAMENT

▲ Soviet Union–United States

Arms Control Negotiations: Third Round

Geneva, 19 September–7 November 1985

■ The first and second rounds of bilateral talks on nuclear and space weapons, which began in March 1985, had ended in profound disagreement over the US Strategic Defense Initiative (SDI).⁴² While these differences persisted throughout the third round, both sides tabled formal, comprehensive proposals on arms control. Notwithstanding the confidentiality of the talks, substantive details emerged, through various public announcements, of the proposals. These moves were widely seen as having been inspired by a mutual 'propaganda offensive' preceding the Gorbachev–Reagan Summit in Geneva, in November 1985.

As the third round of talks began, President Reagan restated the US position on SDI, reaffirming that it was not negotiable, and would not be abandoned in a trade-off for deep cuts in Soviet and American nuclear forces. He also replied to remarks made by the Soviet leader, Mikhail Gorbachev, which had appeared to draw a distinction between permissible 'fundamental research' and other, impermissible elements of SDI, indicating a possible softening of the Soviet Union's hitherto implacable opposition to all aspects of 'Star Wars'.⁴³ President Reagan insisted that testing and development were themselves legitimate aspects of research on space weapons, and would not be halted, though he said that the US would consult both its allies and the Soviet Union before deploying weapons in space.⁴⁴ In a speech to the UN General Assembly on 24 September 1985, Eduard Shevardnadze, the Soviet Foreign Minister, in turn confirmed Soviet hostility to SDI on the grounds that if developed, it would afford a potential aggressor immunity from retaliatory strikes. He suggested a ban on the use of space for military purposes, and advocated multilateral cooperation towards 'Star Peace', or the development of outer space for peaceful purposes.⁴⁵ This proposal was later rejected by the US.

The comprehensive Soviet proposal was first made in a letter to President Reagan from Mikhail Gorbachev,⁴⁶ and formally tabled in Geneva on 30 September and 1 October 1985. It was then supplemented by offers made in a speech by Gorbachev in Paris on 3 October 1985, and by a later offer in Geneva in October. The proposal covered all three areas of the Geneva 'umbrella talks': intermediate-range nuclear forces (INF) in Europe; strategic weapons; and defensive and space weapons. While cuts in strategic arms remained conditional on the elimination of SDI, the proposal constituted a radical departure from the previous Soviet negotiating stance, of refusing to make any specific proposals for strategic or intermediate weapon cuts before the halting of SDI had been agreed upon.

The Soviet Union proposed a mutual cut of fifty per cent in strategic nuclear missile launchers (missiles and bombers), and a mutual ceiling of 6,000 on strategic

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'nuclear charges'. A maximum of 60 per cent of these total nuclear charges could be contained on any one type of launcher in the strategic triad (land, sea or air). There would also be a ban on the deployment of new strategic weapon systems, and a freeze on cruise missiles with a range of over 600 kilometres. The proposal, however, defined 'strategic' to mean weapons capable of targeting the other superpower, and therefore included US long-range bombers, and the US intermediate-range weapons deployed in Western Europe, which were capable of striking the Soviet Union, but excluded Soviet intermediate weapons on the basis that they could strike only Europe, not the US. It remained conditional upon banning the testing, development and deployment of SDI weapons, outside the laboratory, with the possible exception of mutual laboratory research.

On INF, the Soviet proposal called for a mutual freeze on the deployment of intermediate-range nuclear missiles in Europe, to begin on 1 December 1985. It suggested the removal of all Pershing IIs in Europe, over the next eighteen months and a cut in Soviet SS20s until their total warhead count was equivalent to the number of warheads on the 100 remaining US medium-range cruise missiles, combined with the British and French independent nuclear forces. While in Paris, Mikhail Gorbachev had said that the Soviet Union had already frozen its SS20s in Europe, at a count of 243, and was phasing out its SS4s and SS5s. He had indicated the possibility of an agreement on INF separate from the negotiations on strategic and space weapons, and hence unconditional on the elimination of SDI. He had also proposed the possibility of a direct dialogue with Britain and France on their independent nuclear forces.⁴⁷ President Mitterrand had instantly rejected this suggestion, on the basis that France's nuclear forces were only marginally above the minimum required for credibility, and hence were not open for negotiation.⁴⁸ Britain had also rejected direct negotiation on its forces, though its approach to a separate 'dialogue' with the Soviet Union was more positive.⁴⁹

The US characterised the Soviet offer as a 'counter-proposal', since the original US offer, made at the Strategic Arms Reduction Talks (START) and INF talks in 1982-3, was still on the table. This offer had entailed a mutual ceiling of 5,000 warheads on strategic missiles, with a maximum of 50 per cent of these on land-based missiles. There was also a mutual ceiling of 400 on strategic bombers, though without a direct limit on the number of warheads they carried. The proposed INF ceiling was of 420 warheads world-wide, including the SS20s deployed in East Asia. Initial US public reactions to the Soviet 'counter-proposal' welcomed the fact that it had been made, but suggested that the details of the offer raised problems: it required the elimination of SDI, and was attempting to drive a wedge between the US and its West European allies, both by proposing separate talks, and by redefining 'strategic' to remove US missiles from Western Europe, while leaving Soviet missiles targetted against it.⁵⁰ The US Secretary of State, George Shultz, reportedly said later, however, that he saw 'four nuggets' in the Soviet offer: 'The 50 per cent cut in launchers (provided they were counted on a different basis); the 6,000 ceiling on nuclear charges (provided the figure included different charges); the separate INF agreement; and the 60 per cent ceiling on land-based nuclear charges, regarded by the US as the greatest Soviet threat. (This would mean a ceiling of 3,600 charges, and the US said it could compromise at 3,000.)'⁵¹

The US tabled its own new proposal on 1 November 1985, the last scheduled day of

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the talks, before President Reagan proposed that they be extended for a further week, to allow time to discuss the US offer. US negotiators apparently proposed a mutual ceiling of 4,500 warheads on land and sea-launched strategic nuclear missiles, with a maximum of 3,000 being land-based. They suggested a ceiling of 350 on long-range bombers, carrying a maximum of 1,500 air-launched missiles, though without specifying limits to the number of warheads. Also proposed were bans on mobile long-range missiles, such as the SS24 and SS25, and the proposed US Midgetman missiles, and on the modernisation and deployment of new heavy missiles. On INF, they stipulated a mutual ceiling of 450 warheads, excluding the British and French independent nuclear forces, and a maximum of 140 intermediate-range missile launchers worldwide. All these provisions would be subject to stringent verification, and SDI development was to continue, on the basis that it was not violating the 1972 Anti-Ballistic Missile (ABM) Treaty, as the Soviet Union claimed. There would, though, be mutual access to each others' laboratories, and dialogue on the transition from offensive to defensive systems.⁵²

Also during the third round, the US reportedly rejected a Soviet offer to halt construction on the radar installation at Krasnoyarsk, Siberia, which the US claimed contravened the ABM Treaty. The offer was made conditional on the abandonment of US plans to modernise its radars at Fylingdales in Yorkshire, England, and at Thule in Greenland. A US spokesman said that the US radars referred to predated the ABM Treaty, and were not limited by it.⁵³

Notwithstanding informal US acceptance of the Soviet 50 per cent offer if differently handled, by President Reagan in his weekly radio address,⁵⁴ the Soviet negotiators maintained that SDI remained an absolute obstacle to agreement. The negotiations on the substance of the two sides' proposals were to commence during the fourth round of talks, due to begin on 16 January 1986.⁵⁵

● 'Their proposal is, as I suppose as you would expect as an opening proposal, a very one-sided and self-serving proposition.' George Shultz, US Secretary of State, discussing the new Soviet offer. *IHT* (Paris) 7 October 1985.

'It's as balanced as I'm standing on my feet . . . It covers all three areas of the discussions and it's well balanced.' Viktor Karpov, Soviet chief negotiator, when asked if the proposal was tilted in the Soviet favour. *IHT* (Paris) 2 October 1985.

'In so many words, it says that it's all right for the Soviet Union to threaten Europe, but it isn't all right for Europe to defend itself. In a nutshell, it requires the US to choose whether we defend our allies or ourselves, for in the limits they propose, you couldn't do both.' Robert McFarlane, US National Security Adviser, commenting on the new Soviet proposal. *The Times* (London) 8 October 1985.

'We are not pursuing a Metternich-like policy of 'balance of forces', of setting one state against another . . . but a policy of global détente . . . We are realists and we understand how strong are the ties—historical, political and economic—linking Western Europe and United States.' Mikhail Gorbachev, in a speech made during his state visit to France. *Financial Times* (London) 4 October 1985.

'I would characterise our arms control proposal as deep cuts, no first strike advantage, defensive research, and no cheating.' US President Ronald Reagan, on the new US offer. *ADIU Report* (Sussex) November-December 1985.

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▲ Soviet Union--United States

Summit Meeting

Geneva, 19–20 November 1986

■ President Reagan and Mikhail Gorbachev met for the first summit between the leaders of the two superpowers since the Brezhnev–Carter meeting in Vienna, in 1977. The meeting, on which a temporary news blackout on matters of substance was imposed, was conducted on two levels. There were five hours of private talks between the two leaders, with only interpreters present, which prompted President Reagan to dub the encounter the ‘fireside summit’. There were also meetings between groups of Soviet and US experts, led by Soviet Foreign Minister, Eduard Shevardnadze, and US Secretary of State, George Shultz, in which a final joint statement was drafted. The summit itself was preceded by extensive diplomatic activity, both bilateral, and within the two alliance groupings.

A session in Helsinki between Eduard Shevardnadze and George Shultz, on 31 July 1985, was the first in a series of preparatory bilateral meetings. It was agreed then that the agenda would consist of three broad topics: international security issues; regional issues; and bilateral issues; with the US appending a possible fourth topic, human rights.⁵⁶ Meetings followed between Shultz and Shevardnadze in New York on 25 September 1985,⁵⁷ and on 28 October 1985;⁵⁸ between Reagan, Shultz and Shevardnadze in Washington DC on 27 September 1985;⁵⁹ and between Shultz, Gorbachev and Shevardnadze in Moscow on 4–5 November 1985.⁶⁰ There was a minimum level of agreement on the agenda, but also deep differences between the two sides, both in the relative importance attached to each issue, and in the overall purpose of the summit. The differences were so marked at the Moscow meeting in November (where the two sides reportedly proffered irreconcilable draft communiqués) that there was widespread doubt among officials of both sides that a final statement would be possible.

The Soviet Union apparently placed most emphasis on the subject of arms control, particularly the halting of the US’s SDI, and hoped that the summit would give substantial impetus to the Geneva arms talks on nuclear and space weapons. President Reagan, for his part, appeared to regard the summit as a means of establishing personal contact between the two leaders, and of reaching agreement on a broad plan of future action. He was also known to maintain his position on the non-negotiability of SDI,⁶¹ and to attach considerable importance to issues other than arms control. In addition to focusing on the perennial topic of alleged human rights violations in the Soviet Union, which had been mentioned by George Shultz at the Helsinki meeting, President Reagan had chosen the occasion of his speech to the fortieth anniversary session of the UN General Assembly to launch an initiative on regional problems.⁶² He had outlined a three-stage plan for curbing regional conflicts between the superpowers, signalling a possible revival of ‘linkage’ at the summit between progress in arms control talks, and the conduct of Soviet foreign policy throughout the world. The speech given subsequently by Eduard Shevardnadze to the UN highlighted differences between the two sides. It concentrated on arms control issues, and mentioned the Middle East and ‘Israeli and South African terrorism’, rather than the five key disputes on which President Reagan had focused: Afghanistan, Cambodia, Ethiopia, Angola and Nicaragua.⁶³

The final joint statement⁶⁴ indicated that a degree of movement had been made on

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both sides. The undoubted focus was on international security, with only cursory reference being made to regional issues, and human rights. In its emphasis the statement therefore reflected the concerns of the US allies, who had advised President Reagan to concentrate on arms control. In addition to meetings of the Warsaw Pact and the North Atlantic Treaty Organisation which preceded the summit (see below), President Reagan had called a summit of his six key Western allies, in New York on 23–4 October. The leaders of the five countries represented (President Mitterrand of France declined the invitation) expressed support for the US approach to the summit. The British Prime Minister, Margaret Thatcher, however, seemed to have expressed satisfaction on the basis that the US would make a new arms control proposal before the summit, to match the Soviet offer of a 50 per cent cut in strategic launchers, which the Western leaders feared could make the US appear to be the intransigent power.⁶⁵

Despite this degree of movement in the US position, however, (a new US proposal was tabled in the Geneva arms talks on 1 November 1985—see above) the Soviet Union also appeared to have compromised on a number of issues. There was no mention of SDI; no explicit undertaking by the US to continue to comply with the Strategic Arms Limitation Treaty (SALT II) (signed in 1979 and never ratified by the US, but ostensibly adhered to by both sides) which was due to expire on 31 December 1985;⁶⁶ no renewed public commitment to upholding the 1972 Anti-Ballistic Missile (ABM) Treaty; and no US answer to the renewed Soviet offer that the unilateral moratorium on nuclear testing, begun on 6 August 1985, would be extended beyond 1 January 1986 if the US matched it. This offer had been repeated by Mikhail Gorbachev in reply to a letter to the Soviet and US leaders from the leaders of the six countries of the Five Continent Peace Initiative. In their letter they had proposed a twelve-month nuclear test ban on the part of both superpowers.⁶⁷

The joint statement said that the discussions between the two sides had been 'frank and useful', but that 'serious differences remain on a number of critical issues'. A number of areas of agreement were recorded: on international security issues, the two countries 'agreed that a nuclear war cannot be won and must never be fought'. They also agreed 'not to seek to achieve military superiority'. They agreed to 'accelerate' the Geneva arms control negotiations, repeating their agreed purpose of preventing an arms race in space, and terminating it on earth, and cited areas of 'common ground' in the talks: the principle of 50 per cent mutual reduction in nuclear arms, 'appropriately applied'; and the idea of an interim Intermediate-range Nuclear Force (INF) agreement. The statement also stressed the need for effective verification. President Reagan later said that he had offered to establish a reciprocal programme of visits to laboratories performing SDI research. There was no record of a response from Gorbachev, but he reportedly agreed in principle to the opening of Soviet laboratories to inspection, provided that space weapons were banned.⁶⁸ Mikhail Gorbachev was also said to have refused a US offer to share SDI technology with the rest of the world, including the Soviet Union.⁶⁹ The leaders reaffirmed their commitment to the Nuclear Non-Proliferation Treaty (NPT) and to Article VI, obliging them to pursue arms limitation in good faith. They repeated that they were in favour of the general and complete prohibition of chemical weapons, agreeing to accelerate efforts to conclude a treaty on the subject. They also affirmed the importance of the Mutual and Balanced Force Reduction talks (MBFR) in Vienna.

Iran's turbaned revolution

Ervand Abrahamian

The State and Revolution in Iran 1962–1982

Hossein Bashiriye

London: Croom Helm. 1984. 203pp. £16.95

The Government of God: Iran's Islamic Republic

Cheryl Benard and Zalmay Khalilzad

New York: Columbia University Press. 1984. 240pp. np.

Iran under the Ayatollahs

Dilip Hiro

London: Routledge and Kegan Paul. 1985. 416pp. £20.00

'Stupid questions,' says an old proverb, 'get stupid answers.' The three books under review have the distinct advantage over many other recent books on Iran in that they do not dwell on such inane questions as 'Was the revolution inevitable?', 'Could the Shah have prevented the revolution if he had been a little more decisive?', 'Could he have prevented it if he had been a little more flexible?', 'Would the regime have survived if it had spent a little less on ultra-modern weapons and a little more on crowd-control equipment?', 'Could the Shah have been more foresighted if he had not been under chemotherapy?', 'Could he have saved his throne if the US had done this or that', 'Could the US have channelled the revolution into a more amiable course?' 'Can the US find a *modus vivendi* with Islamic fundamentalists?', and so on.

Instead of being sidetracked by such questions, these books focus to a considerable degree on the three most pertinent—and interrelated—problems raised by contemporary Iranian history: What were the fundamental causes of the revolution? Why did Islam become the dominant ideology of the revolution? and Why has the Islamic Republic managed to survive, despite the initial predictions that its demise was imminent? Their answers are surprisingly similar. All three books tend to favour—often implicitly rather than explicitly—the interpretation that the main cause of the revolution was the regime's alienation of the traditional middle class, especially of the bazaars and the clergy; that the revolution was Islamic precisely because this class viewed Islam as an important component of its everyday culture; and that the Islamic

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also reported that an understanding had been reached at the summit that both SALT II and the ABM Treaty would be honoured 'on a reciprocal basis'.⁷⁵

● 'The mere fact that this meeting is being held to review major international issues and problems that cause concern to the Soviet and American people is in itself an important event. . . . I would be so bold, I think, as to state that despite the fact that there is as much weaponry in the world as before the meeting, the world is nevertheless a safer place.' Remarks made by Mikhail Gorbachev during and after the summit. *The Times* (London) 21 November 1985 and *Financial Times* (London) 22 November 1985.

'There is much that divides us, but I believe that the world breathes easier because we are here talking together. Our differences are serious but so is our commitment to improving understanding. . . . Real confidence in each other must be built on deeds, not simply words. . . . The real report card on Geneva will not come in for months or even years.' Remarks made by President Reagan during and after the summit. *The Times* (London) 21, 22 November 1985.

'It was just the kind of "get-acquainted" that we wanted. These two individuals took this over completely. It was very much their meeting, and I think the length of time and the intensity and the frankness and the scope of what was talked about between the two by the fireside went beyond anything I could have expected.' US Secretary of State, George Shultz, after the summit. *The Guardian* (London) 22 November 1985. 'We are prepared to engage in a radical reduction in nuclear arms provided that the door to the space race is kept tightly shut.' Mikhail Gorbachev, at his press conference following the meeting. *The Times* (London) 22 November 1985.

'The President feels as strongly as ever that the research programme is essential. He insists on that. There was no give on that at all.' George Shultz, restating the US position on SDI, after the summit. *The Guardian* (London) 22 November 1985

NORTH ATLANTIC TREATY ORGANISATION (NATO)

▲ Ministerial Council

Brussels, 15 October 1985

■ A special meeting of the Council was convened at the request of Léo Tindemans, the Belgian Foreign Minister. After consultations with the Dutch Foreign Minister, Hans van den Broek, he had written to George Shultz, US Secretary of State, proposing a NATO meeting in New York on 24 October 1985. The proposal followed resentment in Belgium and the Netherlands that President Reagan had chosen to invite the leaders of Canada, Britain, France, Japan, West Germany and Italy to a special Western summit in New York for consultations on the forthcoming Gorbachev-Reagan summit in Geneva in November, to the exclusion of other members of NATO.

These countries were apparently particularly aggrieved that the oversight had come on the eve of the Netherlands' decision to approve the deployment of US cruise missiles and shortly after Belgium's decision to do so, both in the face of strong domestic opposition. The letter was understood to have emphasised that NATO was

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the correct forum for consultations between the US and its allies on East-West issues.⁷⁶

Previous consultations between the US and its NATO allies on the US response to Soviet arms controls proposals tabled at the Geneva arms talks in October 1985, and on the superpower summit had taken place at the level of NATO ambassadors. After briefing them on 7 October 1985, Richard Perle, US Assistant Secretary of Defence for International Security Policy had reported that there was no pressure from NATO members for the US to change its negotiating stance following the Soviet offer of a mutual 50 per cent cut in strategic nuclear missile launchers.⁷⁷ At a subsequent briefing on 9 October 1985, Paul Nitze, Senior US Policy Adviser on Arms Control, reportedly told NATO ambassadors that the US was awaiting further substantive details of the Soviet offer before formulating a response. He did however express US misgivings about the offer as it stood: the 50 per cent cut applied to missile launchers and not to warheads; the Soviet definition of 'strategic' meant that the cut applied to US intercontinental and intermediate-range nuclear weapons but only to Soviet intercontinental missiles; and the Soviet position on space weapon research remained obscure.⁷⁸

The Ministerial Council meeting took place in Brussels after Shultz had offered to be present and was attended by ten of NATO's sixteen Foreign Ministers. Those absent included the British and French Ministers. The meeting endorsed Washington's caution towards the Soviet proposal but apparently urged the US to make a counter-proposal which would incorporate the positive elements of the Soviet offer, thus being seen by the European public to regain the initiative on arms control.

Ministers also welcomed assurances from George Shultz that despite the fact that the Anti-Ballistic Missile (ABM) Treaty was open to wide interpretation, the US Administration espoused a restrictive interpretation of it. These assurances followed widely-publicised remarks by the US National Security Adviser, Robert McFarlane, to the effect that the ABM Treaty placed limits only on the deployment of SDI weapons, not on their research, testing and development. These comments were contrary to the usual interpretation that the Treaty would limit both the testing and development of space weapons and were contradicted by Shultz who confirmed that the US would only consider research to be permissible under its terms.⁷⁹ Furthermore, Shultz told the Council that any move beyond the stage of research in SDI would be made only after consultations with US allies and negotiations with the Soviet Union.⁸⁰

● 'We are a loyal member of NATO . . . We want to be taken seriously'. Belgian Prime Minister Léo Tindemans in a telephone interview. *IHT* (Paris) 3 October 1985.

▲ Nuclear Planning Group (NPG)
Brussels, 29-30 October 1985

■ Defence Ministers from fourteen NATO countries met in closed session for their biannual review of the state of Western Europe's nuclear defences. The meeting was

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also attended by US Defense Secretary Caspar Weinberger and Richard Perle, the Assistant Secretary.

The ministers endorsed proposals by General Bernard Rogers, the NATO Supreme Commander in Europe, for the modernisation of NATO's tactical or battlefield nuclear weapons. The 'Rogers Plan' had been presented to the previous NPG in March 1985, but a decision on it had been deferred.⁸¹ It sought to implement a decision of the NPG in Montebello, Canada in 1983 to reduce the NATO stockpile of short-range nuclear warheads by 1,400 by 1988 and to modernise the remaining 4,600 warheads from 1988-95. In effect, new tactical nuclear weapons were to be introduced (though not the enhanced radiation or neutron bomb) and two categories of obsolete weapons were to be removed: the Nike Hercules air defence system and the 300 remaining 'atomic demolition munitions' or atomic land-mines.

The NPG also reviewed current estimates of the size of Soviet nuclear forces, particularly the SS20s. Their estimated count of 441 SS20s was of crucial importance in that the Netherlands had undertaken to take a decision on 1 November 1985 to deploy US cruise missiles if the number of SS20s equalled or exceeded 378. Caspar Weinberger also presented the European Defence Ministers with US evidence of alleged Soviet violations of the ABM and SALT II Treaties. These violations were said to take the form of a Soviet radar at Krasnoyarsk in Siberia which the Soviet Union contended was for satellite tracking but which the US claimed contravened the ABM Treaty in that it was for detecting ballistic missiles; and the deployment of SS25s which the Soviets claimed was merely a modification of the SS13 and the US insisted was an entirely new system violating SALT II.

The US had been seeking European condemnation of these alleged treaty violations since the NPG meeting in Luxembourg in March 1985, but its NATO allies had remained non-committal on the subject. It was significant therefore that the final communiqué of the NPG condemned the 'steady build-up' of Soviet forces including the recently-deployed SS25s and conceded that these missiles constituted a new weapon. Furthermore, the communiqué expressed serious NATO concern over evidence of Soviet non-compliance with arms control agreements and reaffirmed the need for full compliance with existing treaties and for effective verification.

The NPG communiqué was widely seen as an attempt to submerge persistent differences of opinion between NATO members under a wave of united NATO support for the US position prior to the superpower summit. In addition to the decision on treaty non-compliance the communiqué expressed strong support for 'US positions covering intermediate, strategic and defensive and space systems'. The emergence of differences on SDI was precluded by its omission from the communiqué. The Soviet arms control proposal was characterised as one-sided and self-serving, in line with the US view, but hopes were expressed for an equitable and verifiable agreement. 'President Reagan', it was stated in the communiqué, 'goes to Geneva with the full support and solidarity of the Alliance'.

Following separate bilateral talks between Caspar Weinberger and Britain's Defence Secretary, Michael Heseltine, a draft Anglo-American Memorandum of Understanding on British participation in SDI was agreed after the meeting. The first accord to be reached since the US invited its NATO allies to participate in the programme in the spring of 1985, the understanding covered the conditions attached to the transfer of technology and the scale of British involvement in terms of

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contracts and jobs. Despite Michael Heseltine's reported bid to secure contracts for Britain worth \$1.5bn, he obtained no written assurances on the value of the contract to be expected. The memorandum was to be submitted to President Reagan and Mrs Margaret Thatcher for approval.

The next meeting of the NPG will be held in West Germany in the Spring of 1986.⁸²

▲ Defence Planning Committee (DPC)

Brussels, 3 December 1985

■ NATO Defence Ministers, meeting for their regular autumn session of the DPC, endorsed plans for a conceptual military framework taking twenty years as the planning time-frame for operational concepts, forces and weapon systems. A final communiqué emphasised NATO's plans for improving its conventional forces in an attempt to minimise reliance on nuclear weapons in any future war.

The 1985 NATO Annual Defence Review was discussed in the committee and a 1986-90 NATO force plan adopted. The DPC also discussed ways of improving collaboration between NATO members in armaments production. Such cooperation had been strongly advocated in an informal meeting of the NATO European grouping prior to the DPC session. Defence Ministers of twelve European countries had cited the need for joint armaments ventures to minimise wasteful duplication of research and production within NATO and extract better value from defence budgets. A special meeting of NATO's deputy Defence Ministers on 15 November 1985, had proposed six specific weapons projects to be administered jointly with the US at an initial cost of \$400m.⁸³

The DPC reaffirmed NATO support for US efforts to secure arms control agreements with the Soviet Union. It expressed satisfaction that the deployment of US intermediate range missiles was proceeding according to the 'double track' decision of February 1979 by which 572 Pershing II and cruise missiles were to be deployed in five West European countries by the end of 1983, failing an agreement on intermediate-range nuclear forces (INF) with the Soviet Union.⁸⁴

Britain, France, Italy and Belgium had begun the deployment of these US missiles and congratulations were afforded to the Dutch government for its decision in November 1985 to deploy 48 cruise missiles. The Netherlands received harsh criticism however for its unilateral decision to abandon two of its nuclear tasks within NATO involving its air force when the missiles are deployed in 1988. (Two other tasks of the six nuclear ones assigned to the Netherlands were also being dropped in accordance with NATO's decision to reduce its nuclear warhead stockpile in Europe.) Among the most critical were the defence ministers of the other European countries which had deployed US missiles, who expressed concern that the Dutch decision to capitulate to anti-nuclear protests could encourage public pressure on other governments. The DPC appealed to the Dutch government to reconsider its decision but the Dutch Defence Minister, Jacob de Ruiter, was reported to have argued that without the decision to abandon two NATO tasks, the Dutch Parliament might not have agreed to the deployment of Cruise Missiles.

A further bilateral meeting between Caspar Weinberger and Michael Heseltine after the DPC session was reported to have brought the US and Britain closer to signing a memorandum of understanding on British participation in SDI.⁸⁵

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▲ Annual Ministerial Council

Brussels, 12–13 December 1985

■ NATO Foreign Ministers issued an arms cooperation statement which called for the avoidance of wasteful duplication in armaments projects and for early collaboration between NATO members on research and development. The Council also requested the Conference of National Armaments Directors (CNAD) of the sixteen member-countries to move from the formulation of principles on arms cooperation to a study of specific projects to which the US was already reported to have allocated \$250m. US Secretary of State, George Shultz, warned however that the US might consider reducing its military assistance to Europe as part of an endeavour to lower its federal budget deficit.

The Ministers agreed that the Gorbachev–Reagan summit had laid the foundations for improved East–West relations. In their final communiqué, they said that the improved atmosphere in Geneva had vindicated the NATO stance of continuing with deployment of missiles in Western Europe, while conducting dialogue with the Soviet Union. The ministers of several European countries voiced concern however that substantial progress on arms control and particularly on intermediate-range nuclear forces should be made at the next superpower summit, due in 1986. Ministers also emphasised the importance of close consultation between the US and its NATO allies concerning East–West relations.

Apparently following French objections, there was no explicit mention of SDI in the communiqué, though support was expressed for the US position on arms control. The British Foreign Minister, Sir Geoffrey Howe, suggested however that the ABM Treaty should be strengthened and clarified. He advocated a restrictive interpretation of it which would preclude the development of SDI beyond the research stage. Hans-Dietrich Genscher, West Germany's Foreign Minister, also called for continuous monitoring of the effect of SDI on NATO strategy and cohesion.

George Shultz raised the issue of alleged Soviet non-compliance with arms control treaties and said that the US would continue to comply with the Strategic Arms Limitation Treaty (SALT II) 'on a reciprocal basis' until President Reagan had formulated a response to alleged Soviet violations. He also told the Council that the US would not accept the Soviet proposal to include the independent British and French nuclear forces in a count of intermediate-range nuclear missiles in Europe.²⁶

● Both sides are aware that they cannot conclude the next summit just like they ended the first one. There has to be more. . . . One cannot simply say for a second time that the atmosphere was good'. Hans-Dietrich Genscher, West Germany's Foreign Minister, *IHT* (Paris) 13 December 1985.

'We do not want a situation where the superpowers have super security while the lesser powers have lesser security'. Hans-Dietrich Genscher, West German Foreign Minister, on the need for monitoring the effects of SDI on NATO strategy, *The Guardian* (London) 13 December 1985.

'You asked us to act on the budget deficit and now we have done it. . . . You cannot have your cake and eat it'. George Shultz, commenting on European reactions to the prospect of cuts in the US defence budget, *The Guardian* (London) 14 December 1985.

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Rajiv Gandhi, suggested that these should be comprehensive and mandatory sanctions. Prime Ministers Bob Hawke of Australia, Brian Mulroney of Canada and David Lange of New Zealand, whose countries had all recently applied punitive unilateral measures against Pretoria, advocated some form of united Commonwealth action, as did Prime Ministers Robert Mugabe of Zimbabwe and Mahathir Mohamad of Malaysia, and President Kaunda of Zambia. Pressure to this end was intensified during the meeting by the execution in South Africa of the poet, Benjamin Moloise, on whose behalf the Commonwealth leaders had made a joint appeal for clemency.

Even before the meeting began, however, it was apparent that economic sanctions were firmly opposed by the British Prime Minister, Margaret Thatcher. On 25 September 1985, Britain had belatedly announced its intention to apply the measures against South Africa decided by the EEC on 10 September 1985.⁹¹ There was some speculation that this concession might have been made in the hope that Britain's alignment with the rest of the European Community would strengthen its position against further sanctions in the Commonwealth context. Margaret Thatcher argued that sanctions would be counter-productive, as they would strengthen Afrikaner resistance to change, most harm the black population they were intended to assist, and destroy the neighbouring economies of Southern Africa.⁹² In a letter to the leaders of the six Southern African front-line states (Botswana, Lesotho, Malawi, Swaziland, Zambia and Zimbabwe—all Commonwealth members) she was reported to have emphasised the damage which South Africa could inflict on neighbouring economies in retaliation for sanctions.

The other Commonwealth leaders remained largely unconvinced by these arguments. Despite apparent impatience with the British position, however, they were anxious to avoid an open clash with Britain. There was a general recognition that as Britain was the largest foreign investor in South Africa and its fourth largest trading partner, the British government was acting out of perceived self-interest, and would be unlikely to retreat very far from its position. It was feared that a consequent breach on the subject of sanctions would not only have signalled the ineffectuality of the Commonwealth, but would effectively have lessened rather than intensified international pressure on South Africa. Accordingly, efforts were made to reach a compromise. Bob Hawke proposed the idea of a group of 'wise men' to represent the Commonwealth to the South African regime, in the hope of promoting a dialogue between Pretoria and other political groups. This idea became the basis for a 'twin-track' Commonwealth approach involving both dialogue and selective graduated sanctions. While Margaret Thatcher enthusiastically embraced the Hawke suggestion, her opposition to any form of sanctions apparently remained unsoftened by the persuasive efforts of the leaders of India, Canada, Australia and Zambia. Commodore Ebitu Ukiwe, the head of the Nigerian delegation, was also reported to have hinted at possible Nigerian retaliation for British intransigence, which would affect bilateral trade relations, investment and debt repayments. The deadlock was finally broken only when the British Prime Minister was informed of a decision to exclude her from an accord which most of the rest of the Commonwealth would formulate themselves. As a result of this ultimatum a final agreement was reached.

The Commonwealth Accord on Southern Africa contained three main elements:

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- An appeal to Pretoria, formulated by President Kaunda, to take five steps towards the eventual 'eradication of apartheid and the establishment of majority rule on the basis of free and fair exercise of universal adult suffrage'. These were that the regime declare that the system of apartheid would be dismantled; terminate the existing state of emergency; immediately release Nelson Mandela and other political prisoners; lift the ban on political parties, including the African National Congress (ANC); and initiate a process of political dialogue. To this last step was added, reportedly at the insistence of the British Prime Minister, the phrase 'in the context of a suspension of violence on all sides'.⁹⁵

- A diplomatic initiative to encourage a process of political dialogue between Pretoria and 'the true representatives of the majority black population', involving a small group of 'eminent Commonwealth persons', and a time-table for reform. The group was to be chosen within a month by the leaders of seven countries: Zambia, Australia, Bahamas, Canada, India, Britain and Zimbabwe, together with the Commonwealth Secretary-General.⁹⁶ These same countries were also to determine whether progress had been made towards the prescribed goals within a time-limit of six months.

- The application of selective 'economic measures' against South Africa, with the threat of further voluntary steps if insufficient progress had been made after six months. The suggested programme of action for Commonwealth members entailed an affirmation of the UN Security Council mandatory arms embargo against South Africa, and of the Gleneagles Declaration on Sport. It suggested the adoption of nine core measures, proposed by Brian Mulroney, all but three of which were already being applied by Britain. The three new measures were bans on all new government loans to South Africa, on the import of Krugerrands and on government funding for trade missions to South Africa or for participation in exhibitions or trade fairs in South Africa. The further steps that the leaders said 'some of us' would consider after a period of six months included bans on air links, new investment, the import of South African agricultural products, government assistance for trade, and the promotion of tourism.

Bob Hawke suggested when the agreement was reached that he would request his cabinet to apply the more stringent measures immediately. By contrast, Margaret Thatcher made it clear that Britain would not be applying the follow-up measures in any circumstances, and that she regarded the concessions Britain had made towards the application of economic pressure as insignificant. Consequently, while the other leaders were apparently relieved that an accord had been reached, there was concern that its impact in Pretoria might be reduced, if not undermined, by these assurances from the British Prime Minister.

Continuing the subject of Southern Africa in their communiqué, the Commonwealth leaders condemned South Africa for its illegal 'interim administration' in Namibia, and for its attacks against neighbouring countries. They rejected attempts to delay Namibia's independence by linking it with the withdrawal of Cuban troops from Angola, and stressed that the US policy of 'constructive engagement' had failed. They also called for the immediate withdrawal of South African troops from Angola, and the ending of South African aid to dissident movements in Angola and Mozambique.

The communiqué expressed concern over drug-trafficking and international

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terrorism, and implicitly criticised France for its policy in New Caledonia and its continuation of nuclear tests in the South Pacific. It also expressed their concern over growing protectionism and the international debt crisis, particularly in sub-Saharan Africa, calling for increased financial flows to indebted developing countries. The leaders endorsed a Commonwealth report on 'Vulnerability: Small States in a Global Society', and supported its recommendations that the UN make greater efforts to safeguard the security of these states, in the wake of the invasion of Grenada in 1983. Other subjects covered by the communiqué included disarmament; the situation in Southeast Asia, Central America, the Middle East and Afghanistan; and human rights. A separate document, the Nassau Declaration on World Order, affirmed Commonwealth support for the United Nations, deploring increasing moves away from multilateralism as an approach to world problems.

It was decided that the next CHOGM would be held in Canada in 1987.⁹⁷

● Britain is the odd one out . . . Even the US is coming round to sanctions. Europe is coming round to sanctions . . . It is not just a question of alone. It is a question of what we really stand for. What does Britain really stand for? Britain does stand for freedom, for human rights. Well, where is it? We don't see it on South Africa.' Rajiv Gandhi, Prime Minister of India, in an interview with *The Times* prior to the CHOGM. *The Times* (London) 11 October 1985.

It is 'an unfortunate fact that the attitude of the British government is determined to a very considerable extent by its perception of its economic interests, the very substantial British investment in South Africa . . . We are here dealing with issues which transcend a commercial balance-sheet.' Bob Hawke, Prime Minister of Australia, in a BBC interview prior to the CHOGM. *The Guardian* (London) 4 October 1985.

If sanctions 'can help destroy a despicable policy like apartheid, then sanctions must be applied by those who can hurt most, by the countries with the biggest economic clout. Failure to do so would mean hypocrisy on the part of those countries, and that will rub off on the Commonwealth.' Mahathir Mohamad, Prime Minister of Malaysia, in his opening address to the meeting. *West Africa* (London) 21 October 1985, p. 2230.

'I do not believe in economic sanctions. I do not believe that they will work. I do not believe in creating unemployment here only to create unemployment there.' Margaret Thatcher, Prime Minister of Britain, at the British Conservative Party Conference, prior to the CHOGM. *The Guardian* (London) 12 October 1985.

'Well, they have joined me now.' The British position had moved 'just a tiny little bit'. They were 'Tiny little measures . . . It was worth paying a price to get an agreement; it was worth paying a price to keep the Commonwealth together. . . . 'You would be right to conclude that I am not one of the "some".' Margaret Thatcher, when asked if Britain would contemplate the application of the further measures after a period of six months. *The Times* (London) 22 October 1985; *IHT* (Paris) 22 October 1985.

'We in the ANC were so shattered at the use Mrs Thatcher made of that compromise, disparaging something done in a good spirit. Talking about the new plan as a tiny, tiny bit made the other Commonwealth leaders look foolish . . . but much worse: she reassured Mr Botha by telling him he doesn't have to worry about the six-month deadline in the Commonwealth plan, because Britain will not agree to doing any

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more when that deadline comes. So Mr Botha knows right now he doesn't have to change anything. Apartheid can stay.' Oliver Tambo, President of the African National Congress, who had been present in Nassau during the summit, speaking at a subsequent press conference in London. *The Guardian* (London) 28 October 1985.

▲ General Agreement on Tariffs and Trade (GATT)
Extraordinary Session of the Contracting Parties
Geneva, 30 September–2 October 1985

■ The special session of GATT's ninety members met at the request of the US with the support of sixty-five other contracting parties. The unusual procedure of convening a meeting by majority vote rather than by consensus, had been invoked at a session of the GATT Council in July 1985 as a means of breaking the deadlock on the establishment of a high-level preparatory meeting for a new round of multilateral trade negotiations (MTNs).⁹⁸ The special session confirmed that a 'preparatory process' on the proposed new round of MTNs had now been 'initiated' and agreed to further the process but only after a compromise had been reached on the agenda for the group.

The deadlock over the initiation of a new round of trade talks stemmed from the insistence of the US, supported by Japan, Canada and the EEC that trade in services be included in the talks and the reluctance of some developing countries led by India, Brazil, Argentina, Egypt and Yugoslavia to countenance its inclusion. These developing countries expressed fears both for their fledgling service industries in the face of competition from those in industrialised countries and for their national sovereignty, given that the trading of services generally requires establishments in other countries. There was, therefore, they argued, a vital distinction between trade in services and the movement of goods across borders with which all previous GATT rounds had been concerned. Furthermore, some developing countries expressed fears that they would be coerced into making concessions on services as a price for the implementation by industrialised countries of liberalised trade in goods to which they were already committed by the 1982 Work Programme. For these reasons, countries such as India and Brazil had been insisting both on the necessity of unanimity among GATT members in any decision on services and on the urgent need to enact the Work Programme agreed by the 1982 Ministerial Conference.

The conflict over services surfaced at the special session over the issue of the agenda for the preparatory group of senior officials which had yet to be established. Eventually a compromise was reached between the EEC and some developing countries with Brazil dissenting and India and Argentina tabling reservations. The group of senior officials, which would be open to all GATT contracting parties, was to examine the subject matter and modalities of the proposed new MTNs 'in the light of' the 1982 Work Programme and ministerial priorities for the 1980s and of 'the continuing consideration of changes in the trading environment so as to ensure that the GATT is responsive to these changes'. This wording was placatory both to those developing countries which wanted to limit the subject matter to issues contained in the 1982 Work Programme and to the US and other industrialised countries which

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contended that GATT had failed to keep pace with structural changes such as the increasing significance of trade in services to their economies.

It was decided that the group of senior officials would meet first on 14 October 1985 and prepare a report for the annual meeting of the Contracting Parties in November 1985. The annual session would in turn take a decision on setting up a preparatory committee for a new GATT round. A decision on the inclusion of trade in services in the proposed round was therefore deferred.⁹¹

● 'We wanted an agenda which permitted anyone to raise any issue they wanted and we got one. . . . That means we can discuss services and we certainly intend to do so'. Michael B Smith, Deputy US Trade Representative, *IHT* (Paris) 2 October 1985.

'We do not accept that it is open to third countries to indicate what form these (banks) should take and how they should be regulated'. Mr Prem Kumar, India's Commerce Secretary, on the threat to national sovereignty posed by the inclusion of services in GATT rules, *Financial Times* (London) 2 October 1985.

'We have signed a truce. . . . I think it will be prolonged'. Paulo Nogueira Batista, Brazilian negotiator, *The Guardian* (London) 4 October 1985.

▲ General Agreement on Tariffs and Trade (GATT)

Forty-first session of the Contracting Parties

Geneva, 25-28 November 1985

■ Four hundred delegates from seventy of GATT's ninety contracting parties assembled for the annual session to take a decision on setting up a preparatory committee for a new round of multilateral trade negotiations (MTNs). There was no report from the group of senior officials established by the previous session as representatives of some seventy countries composing it had been unable to agree on a final document after four weeks of meetings.

Agreement on the report of senior officials was apparently blocked by Brazil, India, Argentina, Egypt and Malaysia, the five countries most strongly opposed to the inclusion in the talks of trade in services. They were reportedly insistent upon prior commitments from industrialised countries on four issues:

- 'standstill' or an undertaking from GATT members not to introduce any import restrictions conflicting with GATT rules;
- 'rollback' or the phasing out within a given period of existing restrictions on developing country imports which were inconsistent with GATT rules or based on waivers from them;
- 'safeguards' or the reform of the misused emergency measures taken by countries to protect industries threatened by imports 'as a result of unforeseen developments';
- 'preferential treatment' for the exports of developing countries to industrialised countries' markets.

It was also reported that there had been disagreement in the officials' group on the subject of trade in agricultural products. Developing countries, together with Australia and New Zealand, apparently complained about the high European subsidies on agricultural production, on the grounds that they were preventing

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inroads into Western markets by their countries' products and obliging them to compete in other markets with 'dumped' EEC agricultural output.

The US response to the impasse in the group of senior officials was indicated in an address made by the US trade representative, Clayton Yeutter, to a US Senate Finance Committee hearing. He warned that if the deadlock on the new GATT round persisted, the US would begin negotiations with 'like-minded' trading partners outside the GATT framework. He also warned of US retaliation against countries thought by the US to be the most intransigent (namely Brazil, India, Argentina, Egypt, Yugoslavia and Nigeria) such as excluding them from the benefits of the Generalised System of Preferences.¹⁰⁰

Against the background of these warnings and the prediction of a growth in world trade of less than 3 per cent over this year's figure made by the GATT chairman, Felipe Jaramillo, the annual meeting reached a compromise. The agreement was based on an informal decision in a committee of six key participants consisting of the EEC, the US, Switzerland, South Korea, Brazil and India, to the effect that discussion on trade in services would continue within a committee set up in November 1984, under the chairmanship of Felipe Jaramillo. The plenary meeting agreed to the establishment of a preparatory committee to determine the objectives, subject matter and modalities to a new round of MTNs by mid-July 1986. It was to take into account the 1982 Work Programme as well as the views of the Group of Senior Officials. Its recommendations would then be presented to a full ministerial meeting in September 1986 which would formally launch the new round. It was accepted that any country not wishing to participate in the negotiations on services could withdraw from those discussions in the preparatory committee.

A parallel 'exchange of information' on trade in services would continue in the Jaramillo committee. A decision on the inclusion of services in the new round was therefore deferred until the September 1986 ministerial meeting. Though no explicit assurances were given to developing countries on the four other topics of concern, it was agreed that they would 'constitute important issues' in the Preparatory Committee.

Also at the meeting, Mexico made a formal application to join GATT. Park Kun, the Ambassador of South Korea, was chosen to succeed Felipe Jaramillo as chairman of the Council and Kazuo Chiba, the Japanese Ambassador, became chairman of the Contracting Parties.¹⁰¹

● 'We can't have nations accounting for 5 per cent of world trade dictating to those accounting for 95 per cent'. Dr Clayton Yeutter, US Trade Representative to the US Senate Finance Committee, *Financial Times* (London) 15 November 1985.

▲ General Agreement on Tariffs and Trade (GATT)

Textiles Committee Meeting

Geneva, 4 December 1985

■ Representatives of the forty-two state parties to the Multi-fibre Arrangement (MFA) met for their annual review of the agreement. They also continued discussions on whether or not to renew the Arrangement or to renegotiate a successor when it expires at the end of July 1986.¹⁰²

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Many participants, including the EEC, China, Japan and low-cost textile producers, expressed harsh criticism of a decision by the US Congress on 3 December 1985 to approve the 'Jenkins Bill' restricting textile imports from twelve developing countries and regions while exempting Canada and the EEC from these restrictions. The Bill would also impose strict quotas on shoe imports. Speaking on behalf of the low-cost suppliers, John Yung Sun, the South Korean representative, pointed out that protectionist moves on the part of Congress were in stark contrast to attempts by GATT to liberalise trade.

The Committee was however assured by the US representative, Charles Carlisle, that President Reagan was almost certain to veto the passage of the Bill. At the same time he was reported to have defended US protectionist measures by saying that they were inspired by the belief that the recent growth in textile imports into the US was damaging its own textile and clothing manufacturers. Future negotiations, he said, would therefore have to resolve the problem of the excessive expansion of textile imports into the US.

Criticisms were also voiced by producer countries and particularly by Pakistan, Sri Lanka and South Korea, of Europe's expansion of exports into the US on the grounds that they had helped to stimulate the protectionist drive in Congress. The EEC in turn criticised Japan for failing to give greater access to its markets.

Few details of countries' positions on the future of the MFA were given beyond those already outlined at the July 1985 meeting. There were reports after the meeting, however, that the agreement was likely to be extended.¹⁰³

The Committee was to meet again on 3-4 April 1986.

▲ European Economic Community (EEC)—Gulf Cooperation Council (GCC) Ministerial Meeting Luxembourg, 14 October 1985

■ Foreign ministers of EEC and GCC countries met to consider the strengthening of cooperation between the two groups. The GCC (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and UAE) counts the EEC as its largest trading partner, and has over the past ten years become the third largest market for EEC products, but has no official contract-based economic relations with the European Community. This first joint ministerial-level meeting followed extensive informal talks on potential areas of cooperation.

The GCC delegation was led by Sheikh Sabah al-Ahmed al Jaber, Kuwait's Deputy Prime Minister and Foreign Minister, and Chairman of the GCC, together with the GCC Secretary-General, Abdullah Bishara. They argued that a future agreement between the two groups should reflect the status of GCC members as developing countries with free markets, for whom export facilities to the EEC were vital. The main concern of GCC countries was for duty-free access to the EEC for their petroleum products, which form 90 per cent of Gulf exports. While Gulf manufactures were duty-free under the Generalised System of Preferences, there were ceilings on petrochemicals, beyond which duties of 13.4-13.9 per cent were levied. The EEC delegation was led by Jacques Poos, Luxembourg's Foreign Affairs

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Minister and President of the EEC Council, and by Claude Cheysson, EEC Commissioner for North-South Relations. They confirmed that a working party should meet before the end of 1985, to prepare for negotiations towards a joint agreement, but that there would be no preconditions on petrochemicals, or on any other issue.

A final communiqué issued after the two-hour meeting confirmed that a 'new and more active phase' of discussions between the two groups would begin, directed towards a 'comprehensive, mutually beneficial agreement to foster the broadest possible commercial and economic cooperation.' The areas of cooperation to be considered were trade, industry, investment, energy, technology transfer and training. The ministers called for a detailed examination of the issues involved in such an agreement. No negotiations took place during the meeting, which merely gave political impetus to further talks. The ministers were reported, however, to have agreed to establish a joint high-level group to study the problems associated with GCC petroleum exports to the EEC.¹⁰⁴

▲ European Economic Community (EEC)—Association of Southeast Asian Nations (ASEAN)
Joint Ministerial Meeting
Bangkok, 17–18 October 1985

■ The first-ever meeting of economic ministers from EEC and ASEAN countries was held to review economic and trade relations since the signing of the EEC-ASEAN Cooperation Agreement in 1980, and to promote further economic ties. It took place as a result of a long-standing request by ASEAN, and was a departure from the usual joint meetings of foreign ministers, initiated by the EEC. The conference was attended by 170 delegates, but these included only two economic ministers from the ten EEC countries,¹⁰⁵ as compared with fourteen ministers from the six ASEAN countries (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand). The remaining European countries were represented by junior foreign ministers or officials.

In an opening speech, General Prem Tinsulanond, the Prime Minister of Thailand, advocated an expansion of the five-year cooperation agreement into such fields as investment, science and technology, the development of human resources, tourism and control of drug-trafficking. He called for greater urgency on the part of EEC countries in realising the potential of ASEAN's prosperous markets, in which they held a share of only 13 per cent, compared with the US's 17 per cent, and Japan's 38 per cent. While EEC figures showed that EEC-ASEAN trade had risen by 60 per cent since the signing of the agreement in 1980, the EEC's percentage share of the southeast Asian market was falling, on account of declining new European investment in the region. ASEAN countries were united in calling for more liberal European trade and investment policies, to allow the EEC to compete in their markets and increase the flow of investment into the region. ASEAN countries also advocated the presence in Southeast Asia of the European Investment Bank (EIB), the EEC's development bank. Claude Cheysson, the EEC Commissioner for North-South Relations, argued on behalf of EEC countries that each ASEAN

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country should appoint an Ombudsman, to give advice to potential investors and assist them in tackling the maze of bureaucratic procedures which ASEAN representatives acknowledged was often a hindrance to foreign investment. He also reported that an involvement in ASEAN countries was beyond the present mandate of the EIB, but that the bank's statutes could be altered, given the political will to do so on the part of EEC members.

A final communiqué issued by the joint meeting said that the conference had decided to establish a 'top-level working party' to facilitate new investment in Southeast Asia. It was to report early in 1986, and would concentrate on ways of encouraging small and medium-size firms to invest in the region. No formal assurances were given by the EEC as regards involvement by the EIB, which was merely requested by the ASEAN countries to 'play a positive and constructive role on the basis of its financial expertise'. ASEAN countries hoped that such a role could lead towards public as well as private funding for joint projects in the region. EEC countries also hoped that the working group would identify precisely the bureaucratic obstacles to new investment with ASEAN.

ASEAN representatives also called for increased access to EEC markets for their goods, particularly primary commodities. The Malaysian Trade and Industry Minister, Tengku Razaleigh Hamzah, accused the EEC members, along with other industrialised countries, of having broken their pledges to roll back tariff and non-tariff barriers, and ASEAN called for the expansion of the Generalised System of Preferences to encourage ASEAN exports to the EEC. The communiqué recorded no formal assurances on these issues, merely stating that ASEAN welcomed the latest improvements in the EEC cumulative rules of origin, encouraging further trade. The communiqué confirmed a two-year extension of the 1980 Cooperation Agreement in its present form.

A greater degree of agreement between the two groupings was reported in discussions on the world economic situation, as opposed to issues of bilateral trade and investment. Both the EEC and ASEAN appeared to agree on the need to reductions in the US domestic budget deficit, and in interest rates, as well as in the Japanese trade surplus, in order to correct structural imbalances in the global economy. They also agreed in welcoming the start in 1986 of a new round of multilateral trade negotiations, as a move towards curbing protectionism.

The communiqué also registered the importance attached by the ministers to encouraging the development of local technical expertise; the potential of further links in scientific research activities; the creation of a joint centre for energy management training; and the possibility of EEC-ASEAN cooperation on tourism and on control of drug trafficking and abuse. No plans were indicated, however, for further joint meeting of economic ministers.¹⁰⁶

●Europe's 'needed greater sense of urgency is still sadly lacking'. General Prem Tinsulanond, Prime Minister of Thailand, commenting on the EEC's failure to increase its investment in ASEAN. *Financial Times* (London) 18 October 1985. 'The European governments are deaf.' Claude Cheysson, EEC Commissioner for North-South Relations, on the unwillingness of EEC member countries to extend the EIB's role into Southeast Asia. *Financial Times* (London) 18 October 1985. 'We've been flirting and now we've got engaged. It will take some time to get married

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nd have children.' Tengku Razaleigh Hamzah, Trade and Industry Minister of Malaysia, commenting on the insubstantial results of the meeting. *Financial Times* (London) 19 October 1985.

**▲European Economic Community (EEC)—Contadora Group—Central American Common Market (CACM)
Joint Ministerial Conference
Luxembourg, 11–12 November 1985**

■Foreign ministers from the EEC (including Spain and Portugal, due to join the EEC on 1 January 1986), the CACM (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Contadora Group (Colombia, Mexico, Panama and Venezuela) met to strengthen economic ties between the two regions, and to end support to the peace process in Central America. An EEC-CACM Cooperation Agreement was signed, but the meeting was marked by dissension both within the EEC and amongst the Central American countries, over Nicaragua.

EEC ministers met separately, before the conference, to try to reconcile their differences over the tying of financial aid to conditions involving democracy and human rights. The positions of West Germany and France on this issue appeared to reflect differing approaches to the Nicaraguan state of emergency, which had been declared on 16 October 1985.¹⁰⁷ The West German representative advocated a linkage between the granting of funds for development, and a statement calling on governments in Central America to safeguard human rights and democratic liberties. The French representative, on the other hand, took the view that the cooperation agreement, as an inter-regional arrangement, should not discriminate between different countries in Central America in its assurances of aid. Honduras, meanwhile, took exception to the inclusion of Nicaragua in the agreement, criticising it for its refusal to reduce its armed forces in line with proposals contained in the draft Contadora peace treaty. The Nicaraguan Foreign Minister, Father Miguel d'Escoto Brockmann, argued, however, that the level of Nicaragua's military defences was a necessary safeguard against the threat of US aggression.

The five-year Cooperation Agreement was signed by the Central American foreign ministers including Panama, together with the EEC Council President and Acting President of the Conference, Jacques Poos, and the EEC Commissioner for North-South Relations, Claude Cheysson. It proclaims the desire of the signatories to establish a new structure of economic and political relations between the EEC and the CACM, institutionalising the political dialogue within the context of the Contadora Group's peace efforts, which was begun at the first conference in San José, Costa Rica, in 1984.¹⁰⁸ It commits the EEC to give economic, commercial and development assistance to the Central American countries, granting them 'most favoured nation' status in trade, and increasing aid substantially from its current level of \$35m per annum. The issue of linkage between aid and human and democratic rights was subordinated to an emphasis on promoting regional peace and integration, and was relegated to a series of statements in the annex to the cooperation agreement. The agreement also aims to expand cooperation between the two regions in industry, science and technology.

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In a political communiqué issued after the conference, the twenty-one ministers stated their conviction that economic cooperation and political dialogue could contribute towards peace and stability in Central America. The EEC Ministers renewed their commitment to the Contadora Group's efforts towards this end, and, in a clear reference to the US, it was stated that all countries with interests in or links with the region should contribute to a restoration of peace. In a separate final economic communiqué, the ten EEC countries and Spain and Portugal agreed to grant priority to Central American countries in their aid. The Central American countries in their turn requested improved access to EEC products, and more stable prices.

The ministers decided to hold annual meetings, and it was announced that the next EEC-Contadora-CACM ministerial conference would be held in Guatemala, in 1986.¹⁰⁹

▲ Conference of France and African States

Twelfth Summit Meeting

Paris, 11-13 December 1985

■ Thirty-five African countries were represented at the annual informal conference, held alternately in France and Africa. Seventeen African heads of state were present, and about half of the participating countries were francophone.¹¹⁰ Of the thirty-seven states invited by France (nine fewer than the previous year) only Burkina Faso and Sierra Leone declined to attend. Those attending for the first time included nine Southern African frontline states, which had previously attended only as observers, and King Hassan II of Morocco, who had formerly sent Morocco's Foreign Minister as an observer.

The economic situation in Africa, and particularly the continent's estimated \$150bn foreign debt, occupied much of the summit's attention. In his opening speech, President Mitterrand of France listed three basic conditions for economic recovery in Africa: a readjustment of the world monetary system, entailing a lowering of interest rates and increased stability in foreign exchange rates; opposition to protectionism; and international support in the form of increased public and private financial aid to Africa. President Mitterrand reaffirmed France's pledge to devote an increased percentage of its gross national product to African development aid. He also lent cautious support, at a final press conference, to a proposal by President Abdou Diouf of Senegal, the OAU Chairman, for a UN-sponsored international conference on the critical economic situation in Africa. (France was thought to be hesitant to abandon the case-by-case approach to Third World debt, advocated by creditor countries, by supporting such a conference.) Citing the need for increased food production and self-sufficiency, President Mitterrand also advocated African self-help and regional cooperation in line with the programme approved by the OAU Addis Ababa summit in July 1985.¹¹¹ Ways in which to combat desertification were also reported to have been discussed at the summit.

On Chad, a perennial focus for Franco-African summits, President Mitterrand

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• suggested that no foreign troops should be stationed there, and that France was not prepared to play the role of 'gendarme in Africa' by sending its troops there. He said, however, that France would never consent to the division of Chad, and insisted that a solution lay only in its unity. Following predictions by President Hissene Habré of Chad of an imminent Libyan offensive, President Mitterrand warned Libya against moving its occupying forces south of the fourteenth parallel. President Diouf had also apparently reported at a closed summit session that Colonel Gaddafi of Libya had suggested that Libyan troops in Chad be transformed into a peace-keeping force and extended throughout the country.¹¹² President Habré had expressed a willingness to meet Colonel Gaddafi on neutral territory, and there was speculation that King Hassan of Morocco who had bilateral meetings with Hissene Habré, was in a favourable position to act as a possible mediator between the two. There was some speculation that it was this prospect of mediation which prevented some African representatives from protesting against the presence at the summit of Morocco, which had left the OAU in November 1984, in protest at the admission of the Saharan Arab Democratic Republic (SADR).¹¹³

The presence of the frontline states, some of them Commonwealth countries, was indicative of the importance attached by France to the issue of Southern Africa. At his press conference, President Mitterrand said that France would continue its sanctions against Pretoria until apartheid had been eliminated, and that a 'general accord' had been reached at the summit on ways of accentuating efforts to lead South Africa towards a better understanding of equality and human rights. He also welcomed another proposal by President Diouf for an international conference on Southern Africa, scheduled for June 1986, the tenth anniversary of the incidents at Soweto.

A decision was taken to initiate a summit of 'countries having the common use of French'. The first Francophone summit, as announced by President Mitterrand, was to be held in Paris on 17-19 February 1986. It was to be attended by forty states. Switzerland was the only major French-speaking country which declined to participate. Previous attempts to initiate such a summit had foundered over a dispute on the representation of Quebec, between the Québécois and the Federal Government of Canada, in Ottawa.

The next Franco-Africa summit was scheduled for 1986 in Lomé, Togo.¹¹⁴

• ● 'France will not permit the balance to be upset by a policy of aggression towards Chad.' President Mitterrand of France, warning Libya against moving its forces south. Quoted in *Xinhua News Agency*, 13 December 1985.

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▲ African-Caribbean-Pacific (ACP) Group

Ministerial Council: Second Special Session and Thirty-ninth Ordinary Session
Harare, 21-25 October 1985

• ■ The second special meeting on ACP cooperation was attended by only nineteen ministers of the sixty-six ACP countries.¹¹⁵

The Council approved the Harare Declaration on Intra-ACP Cooperation which called for self-reliance in national development and for the strengthening of regional

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organisations within the ACP Group. It also stressed the need for close consultations between ACP countries in coordinating their positions within international forums.

An expert report on Intra-ACP Cooperation prepared for the meeting was dismissed as 'wishful thinking' by ACP Council President Imro Fong Poen of Suriname and rejected by the Council. Instead, the Harare Declaration noted six priority areas for cooperation which were intended to be more realistic objectives for the group: trade development and cooperation in production; transport; communications; development finance (including the possibility of setting up an ACP bank); technology and cultural cooperation. These priorities were to serve as guidelines for the Committee of Ambassadors which was charged with preparing a programme of action on intra-ACP cooperation for the next Council meeting in Bridgetown, Barbados in April 1986.

At the ordinary session of the Council, the situation in Southern Africa was discussed. The Council agreed to establish a special fund to assist liberation movements in South Africa, Namibia and the Frontline States. According to Zimbabwe's Acting Minister of Trade, Emmerson Munangagwa, ACP countries also decided to urge the EEC to provide aid for victims of apartheid.

The Council appointed Edwin Carrington of Trinidad and Tobago as the new ACP Secretary-General by consensus.¹¹⁶

▲ South Asian Regional Cooperation (SARC)

Fourth Meeting of Foreign Ministers

Dhaka, 5 December 1985

South Asian Association for Regional Cooperation (SAARC)

First Summit

Dhaka, 7-8 December 1985

■ Five years after it was first proposed by the late Bangladesh President, Ziaur Rahman, SAARC was formally launched by seven leaders, from Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.¹¹⁷ Following preliminary meetings of the Standing Committee of Foreign Secretaries and of the SARC Foreign Ministers, the summit adopted the SAARC Charter¹¹⁸ institutionalising the South Asian programme for regional cooperation. The leaders also issued the 'Dhaka Declaration',¹¹⁹ affirming that the fundamental goal of SAARC was to accelerate economic and social development in member-countries through the best use of their human and material resources.

The Standing Committee of Foreign Secretaries met on 4 December 1985. It finalised the draft SAARC charter and endorsed the Bangladesh draft declaration to be presented for approval to the summit. It approved a schedule of SAARC activities for 1986 involving forty-two projects in nine existing areas of regional cooperation: agriculture, rural development, health and population, telecommunications, postal services, science and technology, transport, meteorology and sports, arts and culture.

It also agreed to widen the scope of the integrated programme of action, suggesting two more expert committees to study international terrorism and drug

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trafficking and abuse. The Indian Foreign Secretary, Romesh Bhandar, suggested cooperation in energy and tourism and was reported to have been in favour of cooperation in trade. These suggestions were not taken up, however, and the other, smaller South Asian countries were known to be wary of being increasingly dominated by India's economy if trade were to be included. SAARC Foreign Ministers for their part endorsed the draft charter and declaration before they were submitted to the summit. The Foreign Secretaries also adopted a Nepali design for a SAARC emblem consisting of a green seven-leaved tree symbolising growth, fruition and shade.

The SAARC Charter, approved by the summit, included among the objectives of the association the promotion of the welfare of the peoples of South Asia and of collective self-reliance; the acceleration of economic, social, cultural and scientific collaboration and development and the strengthening of trust and cooperation on regional and international issues among themselves as well as with other developing countries. Three principles determined that this cooperation:

- should be based on sovereign equality, territorial integrity, political independence, non-interference in each others internal affairs and mutual benefit;
- should complement and not replace bilateral and multilateral cooperation;
- should not be inconsistent with these forms of cooperation.

Overtaking a recommendation of the preliminary meetings for biennial summits, the leaders decided that SAARC summits should preferably be once a year. The second one was arranged for November 1986 in New Delhi and the third for 1987 in Thimpu, Bhutan. A Council of Ministers consisting of the seven foreign ministers was to meet as often as necessary but at least biannually, to review progress and decide on new areas of cooperation. The Standing Committee of Foreign Secretaries was also to meet as often as necessary but at least annually. The leaders decided to establish a permanent SAARC secretariat and called upon their Foreign Ministers to consider the details, including Nepal's offer of a site in Kathmandu. Meanwhile it was agreed that Bangladesh would provide interim secretariat services and President Ershad of Bangladesh was elected as chairman of SAARC for the coming year. It was decided that financial contributions to SAARC would be voluntary and that if insufficient funds were received, 'external financing from appropriate sources' could be mobilised with the assent of the Standing Committee. The Charter proclaimed that all decisions were to be taken on the basis of unanimity and that 'bilateral and contentious issues' were to be excluded from SAARC's purview. This meant that notwithstanding a call by Sri Lanka's President, Junius Jayawardene, for India to take the lead in SAARC,¹²⁰ each member-country was in effect granted a veto by the Charter. The Indian Prime Minister, Rajiv Gandhi, also stressed that SAARC was based on the sovereign equality of its members.

The Dhaka Declaration acknowledged that the South Asian peoples who constitute one-fifth of the world's population were faced with problems of poverty, economic backwardness, low productivity, unemployment, over-population and other legacies of past exploitation. It advocated increased 'people-to-people contacts' at various levels as well as regional cooperation while reaffirming SAARC's commitment to the principles of the UN Charter and to the Non-Aligned Movement. Peace and security were seen as 'an essential prerequisite' for the realisation of SAARC's objectives and alarm was expressed at the 'unprecedented

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escalation' of the arms race, particularly at its nuclear aspects which 'violated the principles of the UN Charter'. The leaders called for urgent negotiations among nuclear weapon states for a Comprehensive Test Ban Treaty and expressed hopes that the forthcoming Geneva superpower summit would lead to greater global security. Deep concern was expressed at the global economic crisis, the effects of which had been compounded by natural disasters—President Ershad had cited the Urr Char cyclone disaster in Bangladesh in his speech—and by the absence of world food security. The leaders regretted the weakening of multilateral cooperation and called for a renewed commitment to the International Development Strategy and to the Substantial New Programme of Action for the least-developed countries. They also called for the urgent resumption of the North-South dialogue and for the early convening of an international conference on money and finance for development.

The summit took further decisions to hold two ministerial-level meetings. One, the suggestion of Pakistan's President Zia ul-Haq, was to plan a Programme of Action concerning the role of women in regional activities and was to be held in New Delhi. The other, to be hosted by Pakistan, was to concert member-countries' approaches to multilateral negotiations such as those within GATT and for a New International Economic Order. The leaders also approved a joint package of airline fares for the region.

True to the dictates of the SAARC Charter which sought to delineate the areas on which regional cooperation was possible, bilateral and contentious issues were largely excluded from the summit's deliberations. Notwithstanding the endorsement of a decision to establish a committee on terrorism as it affects the security and stability of their countries, there was reported to have been no discussion of India's accusation that Pakistan was aiding Sikh terrorists in the Punjab or Sri Lanka's accusation that India was harbouring Tamil separatist guerrillas in Tamil Nadu.

Some references were made to regional disputes in the leaders' speeches.¹²¹ King Jigme Singye Wangchuk of Bhutan claimed that it was unrealistic to attempt to limit discussion to non-political issues and advocated dialogue between India and Pakistan on preventing the development of nuclear weapons. President Zia ul-Haq spoke of the need to divert finance from military spending to development and advocated the collective renunciation of the threat or use of force against each other and the banning of nuclear weapons. Despite a brief bilateral discussion between President Zia and India's Prime Minister Rajiv Gandhi, there was no formal reference to the dispute between India and Pakistan on the development of nuclear weapons. President Ershad reported that though regional trade was not yet encompassed by SAARC, it had been discussed at the summit and would eventually be included.¹²²

● India, the largest every way, larger than all of us put together combined, can by deeds and words create the confidence among us so necessary to make a beginning. . . . He (Rajiv Gandhi) should tell us what each of us should do and we should respond as best as we can.' Sri Lanka's President Junius Richard Jayawardene to the summit, *BBC Summary of World Broadcasts*, FE/8130/A3/6, 10 December 1985.

'That's precisely what we don't want to do. We will operate by consensus, in concert and no one will carry any more weight or less than any other.' India's Prime Minister Rajiv Gandhi, disclaiming any desire to tell the others what to do, *The Times* (London) 11 December 1985.

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'Through SAARC we hope to convince India that it must take measures to play its part as the centre figure in South Asia but with the recognition that there is nobody big or small. They are all equal independent autonomous states. India must also realise that it is the smaller states which have the greater ego. It won't cost India to play a low profile and generate confidence in others. Let India buy something from smaller countries. And only in this way we can live in peaceful coexistence.' Pakistan's President Zia ul-Haq in an interview with the *Bangladesh Observer*. *The Hindu* (Madras) 7 December 1985.

'It may neither be possible nor desirable to limit discussions in our meetings to issues of a non-political nature for the political climate of our region will undoubtedly cast a long shadow over our deliberations.' King Jigme Singye Wangchuk of Bhutan to the summit. *Summary of World Broadcasts* FE/8130/A3/7, 10 December 1985.

▲ Gulf Cooperation Council (GCC)
Fourth Meeting of Defence Ministers
Kuwait, 20-21 October 1985

■ Defence Ministers or Chiefs of General Staff of the six GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) met to review military cooperation. They considered proposals made by the GCC Chiefs of Staff at their fifth meeting in Riyadh on 7-8 October 1985.¹²³

According to a final statement,¹²⁴ ministers approved a joint defence strategy which was said to be based on the principle of self-reliance. No details of the strategy were given in the statement but some indications were provided in a subsequent press statement by the Kuwaiti Chief of General Staff, Major-General Abdullah Farraj al-Ghanim. He was reported to have disclosed a decision by ministers to establish a joint air defence radar system, following comprehensive study by member-states. He said that GCC states had made preparations in case the Strait of Hormuz was closed and they would demand that as an international sea-lane it should be re-opened. He also reported discussions on the setting up of a unified general staff for the GCC, and on ways of standardising training and the weaponry of member states.¹²⁵ The joint defence strategy was to be presented to the GCC summit in Muscat in November 1985 for approval.

According to the statement, ministers reviewed steps taken to complete the formation of the Peninsula Shield Forces, the GCC Rapid Deployment Force consisting of two brigades stationed in Hafr al Battin in north-east Saudi Arabia. This force had been established at the fifth GCC summit in Kuwait in 1984 and was hailed by ministers as a symbol of cohesion and a manifestation of the principle of self-reliance.¹²⁶

▲ GCC
Meeting of Foreign Ministers
Muscat, Oman, 29-30 October 1985

Sixth Summit
Muscat, Oman, 3-6 November 1985

■ The major concern at the Muscat summit which was attended by the rulers of all

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six GCC states, was the security and stability of the Gulf region, given the escalation of the Iran-Iraq War and of terrorism.

At the preceding meeting, Foreign Ministers had agreed to recommend to the summit the adoption of the joint defence strategy which had been proposed by GCC Defence Ministers. According to a statement by Omani Foreign Minister Yousef Bin al-Alawi Abdullah, they had also agreed on the importance of joint action to achieve peace in the region through negotiations with the parties to the Gulf War. Significantly, and unlike previous communiqués of the Foreign Ministers, the statement made no criticism of Iran's role in the war. Yousef Bin al-Alawi Abdullah stressed the need to find solutions which would pacify both Iran and Iraq.¹²⁷

The final summit communiqué reported that the leaders had discussed the Iran-Iraq War in the light of its 'serious escalation—particularly in the Gulf waters'. This was understood as a reference to recent Iraqi attacks on Iranian oil installations, particularly on Kharg Island, and to the retaliatory interception by Iran of third-country ships suspected of carrying military supplies to Iraq via the ports of GCC countries. These recent developments were said to pose a threat to the security and stability of the entire region and to freedom of navigation in the Gulf.

The summit called on Iran to respect the principles of freedom of navigation in international waterways and freedom of passage for merchant ships as set out in UN Security Council Resolutions 540 of 1983 and 552 of 1984. It affirmed the need to continue GCC mediation efforts to end the war while safeguarding the 'legitimate rights and interests of the two sides'. No new mediation effort was initiated but there was speculation that the summit marked a shift towards a more neutral GCC policy towards the war. The Omani Information Minister and summit spokesman, Abdul Aziz Bin Mohammed Al-Rowas, told a press conference that the leaders had discussed relations between the GCC and Iran and there was a move to activate a dialogue and improve relations with Iran.¹²⁸ The GCC Secretary-General, Abdullah Yaqub Bishara, also emphasised the GCC's policy of 'peaceful coexistence' according to which it would accuse neither side in the War.¹²⁹

The communiqué said that the summit had approved the strategic concept of defence cooperation among GCC countries and endorsed the goals of the security strategy. The Omani Deputy Prime Minister for Legal Affairs, Fahad-bin-Mahmouc al-Said, said that having approved the joint defence strategy, the leaders had instructed the authorities in each country to implement it.¹³⁰ No details were given but according to subsequent reports by the Kuwaiti Defence Minister, Salem Saba al-Sabah, the strategy's main tenets included the upgrading of members' defence capabilities and ensuring the region's food security. All the GCC countries with the exception of Saudi Arabia and Oman are heavily dependent on food imports.¹³¹

Reviewing the security situation in view of the 'escalation' of terrorism in the region, the leaders condemned all aspects of terrorism and expressed solidarity with any member-states subjected to terrorist acts. Such acts were considered a threat to all the GCC states on the basis that 'the security of the GCC countries is indivisible'. The communiqué also expressed support for the Palestine Liberation Organisation, condemning the recent Israeli attack on its head-quarters in Tunisia. It also stated the GCC's continuing support for the unity of the Lebanon and for its stability and independence. The leaders reviewed relations between Arab countries and expressed their satisfaction with the process of reconciliation through committ

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initiated at the Arab League summit in Casablanca in August 1985.¹³²

Reviewing progress towards economic cooperation within the GCC, the summit agreed to draw up timetables for implementing previous protocols on a joint agricultural policy; a unified strategy for industrial development; educational goals and methods; and policies and general principles for protecting the environment. The Administrative Council was charged with the task of approving the timetables and studying the possibilities for cooperation in new areas of economic activity. On education, the leaders agreed that their countries would afford equal treatment in schools to students from other GCC countries and that they would give equal recognition to each others' educational certificates. No mention was made in the communiqué of other issues such as oil pricing, which was discussed by GCC Oil Ministers at their meeting in Riyadh on 21–22 October 1985¹³³ or border disputes within the GCC.

The seventh summit was scheduled for November 1986 in Abu Dhabi.¹³⁴

● 'We cannot allow a vacuum in our contacts with Iran and Iraq. . . . We are on the front-line of this conflict, and just because we have not achieved success in our mediation efforts before, this is no excuse to stop now'. Mr Abdullah Bishara, GCC Secretary-General, to a press conference following the summit. *Financial Times* (London) 7 November 1985.

▲ Organisation of Arab Petroleum Exporting Countries (OAPEC) 35th Ministerial Council Meeting Baghdad, 27 November 1985

■ Oil Ministers¹³⁵ or their representatives from ten OAPEC member-countries adopted a five-year Action Plan for 1985–1990 and approved a budget for OAPEC of \$9.3m for 1985/6.

The five-year plan of action was prepared by a ministerial committee consisting of Algeria, Bahrain, Kuwait, Tunisia and Saudi Arabia, set up for that purpose in November 1983. The programme is designed to improve the functioning of OAPEC by enhancing cooperation among its member-countries. The priorities for the five years were identified as research and development (including that in technical fields with other regional and international organisations and oil and energy-related programmes); the promotion of inter-Arab trade in petroleum products; and coordination among OAPEC's various joint ventures. Less emphasis was to be placed on the setting-up of new joint ventures in view of financial constraints facing member countries. New projects would be left to established companies to undertake commercially.¹³⁶

The next OAPEC Council of Ministers was scheduled for 6 May 1986 in Kuwait

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▲ Organisation of Petroleum Exporting Countries (OPEC)
Market Monitoring Committee (MMC)
Geneva, 5 December 1985

Seventy-sixth Ministerial Conference
Geneva, 7-9 December 1985

■ The annual ministerial conference was attended by oil ministers from OPEC's thirteen member-states together with observers from the non-OPEC members, Mexico and Malaysia.

At the previous conference in October 1985, OPEC ministers had deferred a decision on increasing individual members' production quotas as some countries had then been demanding. They had not been prepared to increase the official production ceiling of 16m barrels a day (b/d).¹¹⁷ At the December meeting, the MMC reported that OPEC members' collective output had in fact increased to about 18m b/d but that the projected demand for OPEC's crude oil in the first quarter of 1986 was only 16.3m b/d.¹¹⁸ OPEC's share of the global energy market had been declining owing to the encroachment of energy conservation, the increasing substitution of alternative energy sources for oil, and increases in supply from non-OPEC oil producers such as Britain and Norway. However, at the December Conference, no OPEC members were willing to lower their production levels unilaterally in order to protect oil prices in the face of the anticipated fall in demand.

A communique issued by the oil ministers¹¹⁹ recorded their conclusions following consideration of the trends in the global oil market. They 'decided to secure and defend for OPEC a fair share in the world oil market consistent with the necessary income for member-countries' development'. This decision constituted a dramatic re-ordering of priorities for OPEC. It signalled that high production levels and the defence of its members' market share would for the time being take precedence over price maintenance which was normally achieved by production cut-backs. The communiqué reaffirmed all the conferences' previous resolutions, apparently as a concession to Algeria, Iran and Libya which still wished the defence of prices to be an objective for OPEC. While the current OPEC structure of official prices and its 16m b/d production ceiling were not formally altered, they were placed in temporary abeyance by the emphasis on maintaining and possibly retrieving OPEC's share of the oil market.

The meeting also signalled the beginning of more competitive prices for OPEC's oil. Though several of the ministers denied the intention of initiating an oil-price war, their decision to defend their market share constituted an inducement to non-OPEC oil producers to secure an agreement with OPEC in the interests of market stability. The Saudi Oil Minister, Sheikh Ahmed Zaki Yamani, remarked that in the absence of cooperation between all oil producers, prices would be likely to drop from \$28/barrel to \$20/b.

While it was not clear exactly what constituted a 'fair share' of the oil market, the conference decided to establish a special committee to examine ways in which such a share could be achieved and to make recommendations on pricing and production policy to an extraordinary ministerial conference to be held in February or March 1986. The committee was to be led by Arturo Hernandez Grisanti, Venezuela's Minister of Energy and Mines and the newly-elected President of OPEC, and

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consisted of Indonesia, Iraq, Kuwait and the UAE. It was also asked to consider a Venezuelan suggestion for a new pricing strategy whereby OPEC prices would be indexed to spot-market prices for a basket of non-OPEC crude oils.¹⁴⁰

According to the conference communiqué, other resolutions were passed, reportedly on price and production agreements but it stated that these required ratification by the governments of member-states before being made public on 9 January 1986.

The next ordinary meeting of the ministerial conference was scheduled for 25 June 1986.¹⁴¹

● Lower oil prices don't serve anyone. With the present world economic crisis, it's in no one's interest to add to the existing disorder'. Belkacem Nabi, Algeria's Energy, Chemicals and Petrochemicals Minister, to the Press. *Middle East Economic Digest* (London) 14 December 1985.

'A fair share of the market is what you can get. Britain will not take my customers. Not a single one. If there is to be a price war we are prepared'. Professor Tam David-West, Nigeria's Oil Minister, *The Times* (London) 10 December 1985.

'This is the final chance for non-OPEC members. We have asked them to sit down with us to discuss the market before, but they have always refused'. Dr Mana Saeed Otaiba, UAE Oil Minister, *The Times* (London) 10 December 1985.

▲ Contadora Group— Central American Countries

Meetings of Deputy Foreign Ministers and Plenipotentiary Representatives
Contadora Island, Panama

7–10 October and 17–19 October 1985

■ Deputy Foreign Ministers of the Contadora Group (Colombia, Mexico, Panama and Venezuela) met with representatives of the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) for what was hoped would be the final round of negotiations on the draft Central American peace treaty. This draft had been presented by the Contadora Group to the Central American countries at a Foreign Ministers' meeting on 12–13 September 1985. There it had been decided that a permanent forty-five-day session would be held, interspersed with periods for direct consultation between Central American governments and their representatives, to secure agreement on the remaining contentious clauses of the treaty. The Contadora Group had announced its intention to abandon its peace initiative if by the expiry of that session on 20 November 1985 agreement had not been secured.¹⁴²

The first two meetings during the forty-five-day period were both adjourned without agreement on three key issues: military manoeuvres; arms reductions and verification and follow-up procedures. It was reported that Nicaragua had supported a total and immediate ban on joint military exercises with a foreign power, which would have directly affected the US presence in the region, while El Salvador and Honduras were in favour of 'regulation' rather than 'prohibition' of military manoeuvres. Nicaragua was also reported to have been unwilling to submit to controls on its level of weapons and soldiers as El Salvador and Honduras were demanding, until it had received guarantees that the US would end its aid to the anti-Sandinista ('contra') guerrillas and its threats against Nicaragua.¹⁴³

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▲ Contadora Group

Meeting of Deputy Foreign Ministers and Plenipotentiary Representatives
Panama City, 19–21 November 1985

■ Representatives of the nine countries met for their third session of negotiations towards the end of the forty-five-day period allotted by the Contadora Group for the completion of the draft Central American peace treaty. In a communiqué which summed up the entire session since the draft treaty was first presented in September 1985, the Contadora group stated that agreement had been reached on the issue of implementing and verifying follow-up procedures and on the draft's final provisions.¹⁴⁴ Differences remained, however, on the two outstanding issues of military manoeuvres and arms controls.

Prior to the meeting on 11 November 1985, Nicaragua's President Daniel Ortega had written a letter to the heads of state of the Contadora Group countries. To it was attached a document detailing Nicaragua's position on the current draft treaty.¹⁴⁵ The letter repeated Nicaragua's proposal for a total ban on international military exercises and its insistence on a level of defence commensurate with the threat it perceived of direct US military intervention. In the absence of the 'minimum basic conditions' for Nicaragua's security, the country could not, the letter said, assume commitments towards arms control. The letter criticised the recent US Congress decision to grant \$27m in aid to the anti-Sandinista guerrillas. It condemned the US stance of demanding the immediate dissolution of the Nicaraguan National Assembly as a precondition for the resumption of the bilateral 'Manzanillo talks' between the US and Nicaragua which the US had broken off in January 1985.¹⁴⁶ In effect, President Ortega refused to sign a peace treaty without an additional protocol committing the US to cease its aid to the 'contras' and its military pressure on the Nicaraguan government. This precondition was opposed by Honduras and El Salvador.

After the meeting and the expiry of the 20 November 1985 deadline, the Panamanian Foreign Minister, Jorge Adadía, reported that the deadline for agreement had been extended by the Contadora Group for a further thirty days. It was hoped that this period would allow for negotiations on the remaining two unresolved issues.¹⁴⁷

Following an informal meeting of the Contadora Group and the Lima (support) group at Montevideo on 17 December a further meeting between the Contadora Group and its support group was planned for 11–12 January 1986. It was to be followed by discussions between the Contadora Group and leaders of other Latin American states in Guatemala City on 14 January 1986.¹⁴⁸

● 'We must not believe that peace in Central America depends only on an agreement among the Central Americans if there is no agreement or political will on the part of the US . . . There must be a political understanding with the US to end its war against Nicaragua so that there can be peace in Central America.' Nicaragua's Deputy Foreign Minister, Victor Hugo Tinoco, to the meeting, *Summary of World Broadcasts*, ME/8117/D/1, 25 November 1985.

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▲Cartagena Consensus

Fourth Ministerial Meeting of Signatory States

Montevideo, 16–17 December 1985

■Finance and Foreign Ministers from the eleven Latin American debtor countries of the 'Cartagena Group'¹⁴⁹ met to coordinate their reactions to the 'Baker Plan'. This initiative on Third World debt had been propounded by the US Treasury Secretary, James Baker, at the IMF and World Bank meetings in Seoul in October 1985.¹⁵⁰ The Cartagena ministers formulated their response to the plan in the Declaration of Montevideo on the Latin American Economic Situation¹⁵¹ which incorporated a nine-point emergency programme directed towards the renegotiation of the region's \$350bn. debts and towards promoting economic growth.

In his opening speech, the Uruguayan President, Julio Sanguinetti, commended the Baker Plan for its recognition of the political dimension of the current debt crisis but said that the initiative was inadequate as a solution to the problem. The consensus as expressed in the final communiqué was that the plan was a 'positive step' in that it recognised the principle of joint responsibility between debtors and creditors for the region's problems, but that the funds it provided were 'totally insufficient' to guarantee debt repayments or to stimulate growth in debtor countries over the next three years. Ministers therefore presented a counter-proposal which, though not rejecting Baker's initiative, suggested additional measures to prevent the net transfer of resources from Latin America to the industrialised countries.

The Declaration of Montevideo anticipated zero growth in Latin America in 1986 and an expected outflow of \$32bn in debt service repayments. No adjustment efforts on the part of the debtor countries to improve their efficiency and increase exports were said to be able to compensate for the extraordinary deterioration in the international system resulting from high interest rates, low commodity prices, competitive subsidised products and protectionism in industrialised countries.

The emergency programme, suggested as a temporary measure, was designed to provide the necessary resources to compensate for the losses caused by high interest rates and deteriorated terms of trade and to finance investments required for the region's development. Ministers advocated:

- a reduction in real interest rates 'to their historical levels' by the end of 1986, and lower bank profit margins;
- increased flows of funds into the region with debts being divided into separate current and future portions;
- the maintenance in real terms of commercial bank credits, entailing additional loans to compensate for inflation;
- a ceiling on the outflow of capital from countries in the region, linked either to growth rates or to export levels;
- increased resources for multilateral development agencies including the World Bank, with a 20 per cent increase in their flow of resources to the region over the next three years;
- the increased availability of compensatory financing from the IMF over the next three years.

A ministerial committee consisting of Latin America's five largest debtor countries (Argentina, Brazil, Colombia, Mexico and Venezuela) was established. It was to monitor the progress of the plan and lobby for acceptance of the emergency

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proposals among other countries and the banks. Enrique Iglesias, Uruguay's Foreign Minister and Secretary of the Cartagena Group, said that the committee would represent the Cartagena countries at all levels using the Declaration of Montevideo as its point of reference in negotiations. The Declaration contained a warning that the debtor countries reserved the right to take 'alternative measures' in the absence of an adequate response to the Emergency Plan. These measures would be formulated by the committee should they prove necessary.¹⁵²

● 'It is no longer sufficient that we simply recognise the problem. We need to take greater and bolder steps. We need to understand that we are in an emergency situation and that the time has come to take emergency measures.' President Sanguinetti of Uruguay to the meeting. *Financial Times* (London) 17 December 1985.

'We are not threatening anyone . . . we are proposing a constructive dialogue'. Juan Sourrouille, Argentina's Economic Minister, *IHT* (Paris) 19 December 1985.

'For the first time we spelled out that we may be exposed to unmanageable external shocks that force us into actions that no one wants. If there is a dramatic drop in a raw material price—look at oil or tin today - or a sharp rise in interest rates, current adjustment conditions will become unviable'. Enrique Iglesias, Uruguay's Foreign Minister, *IHT* (Paris) 24–25 December 1985.

▲ Angola-Tanzania

Summit Meeting

Luanda, 3–5 October 1985

■ The Angolan President, José Eduardo dos Santos and the Tanzanian President, Julius Nyerere, issued a joint statement after their three-day meeting. They condemned the South African régime for its military aggression and political and economic sabotage against frontline states, and for the threat its actions posed to the security of Southern Africa. They categorically rejected the US and South African demand for Cuban troop withdrawal from Angola as a precondition for Namibian independence. Reaffirming their belief that UN Security Council Resolution 435 is the sole basis for an effective solution to the problem of Namibia, they urged Pretoria not to hinder the irreversible process of Namibian independence.¹⁵³

▲ Mozambique-South Africa Meeting

Maputo, 11 October 1985

■ South African and Mozambican representatives met at the request of the South African Foreign Minister, Roelof 'Pik' Botha, to continue their discussions on alleged South African violations of the bilateral Nkomati Accord of April 1984. Following a meeting between the two countries in September 1985, during which the Mozambican President, Samora Machel, had presented evidence of violations, 'Pik' Botha had admitted that his country had been guilty of what he termed 'technical' violations of the accord.¹⁵⁴

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At the October meeting 'Pik' Botha was accompanied by his deputy, Ron Miller, while the Mozambican delegation was led by Jacinto Veloso, Mozambique's Minister in the Presidency for Economic Affairs, and included Sergio Vieira, the Security Minister. No details were given of the meeting, but the talks were understood to have covered security matters, as well as other bilateral issues and economic cooperation between the two countries.¹⁵⁵

On 17 October 1985, following the meeting, Ron Miller confirmed that the joint South African-Mozambican security committee had been suspended at the request of President Machel. A spokesman for the South African defence force was subsequently quoted as having said that owing to the unilateral suspension of the joint committee, the South African authorities would not be investigating renewed Mozambican allegations of violations of the Nkomati Accord.¹⁵⁶ In later remarks in December attributed to Ron Miller, it was suggested that the plethora of accusations of South Africa's non-compliance with the agreement was unsubstantiated, and that it was 'total nonsense' to say that South Africa had not respected Nkomati.¹⁵⁷

▲ Angola-Zambia

Summit Meeting

Lusaka, 15 November 1985

■ Talks between the Angolan President, José Eduardo dos Santos, and the Zambian President, Kenneth Kaunda, reportedly centred on the worsening security situation in Southern Africa. In a final joint communique, the leaders strongly condemned the repeal by US Congress of the Clark Amendment prohibiting US assistance to the 'armed gangs' of UNITA, the National Union for the Total Independence of Angola. They stated that any US financial and military aid to UNITA would be considered direct interference in the internal affairs of Angola, and would undermine efforts by the frontline states to secure peace in the region. The leaders also dismissed what they considered to be US attempts to portray South African aggression against Angola as a civil war, and advocated that the conflict be seen in the context of East-West antagonisms.

The communiqué dismissed apparent constitutional reforms in South Africa as cosmetic, appealing to Western countries to impose comprehensive and mandatory economic sanctions on the régime, forcing it to abandon apartheid and release political prisoners, including Nelson Mandela. The leaders also reiterated their support for the South West Africa People's Organisation (SWAPO) in Namibia, and their faith in UN Security Council Resolution 435 as a basis for Namibia's independence.¹⁵⁸

▲ Southern African Frontline States

Ministerial Meeting

Harare, 28-29 November 1985

■ Foreign ministers met from Southern Africa's six frontline states (Angola,

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Botswana, Mozambique, Tanzania, Zimbabwe and Zambia). They strongly condemned a South African threat to invade Zimbabwe if it did not cease guerrilla attacks against South Africa. Following four mine explosions near the town of Messina on the South African border with Zimbabwe, in which six South Africans were wounded, the South African Foreign Minister, Roelof 'Pik' Botha had warned that South Africa might send troops into Zimbabwe, if it failed to curb attacks which he attributed to black nationalist guerrillas. Zimbabwe's official radio station, Voice of Zimbabwe, had declared, however, that Zimbabwe's government policy remained that of prohibiting guerrilla bases, belonging to South African liberation movements, on its territory.

The frontline ministers also condemned both South Africa and the US for assisting counter-revolutionaries in Angola, and destabilising Southern Africa.¹⁵⁹

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NOTES

In these notes the following abbreviations are used for newspapers and periodicals: *D* = Dawn (Karachi); *Econ* = The Economist (London); *FT* = Financial Times (London); *FEER* = Far Eastern Economic Review (Hong Kong); *G* = The Guardian (London); *H* = The Hindu (Madras); *IHT* = International Herald Tribune (Paris); *MEED* = Middle East Economic Digest (London); *MEER* = Middle East Economic Review (Washington, DC); *MEES* = Middle East Economic Survey (Nicosia); *Obs* = The Observer (London); *S* = South (London); *ST* = Sunday Times (London); *SWB* = Summary of World Broadcasts (London); *T* = The Times (London); *TWQ* = Third World Quarterly (London); *UNPR* = UN Press Release; *USIS* = US Information Service; *SN* = Soviet News (London); *SW* = Soviet Weekly (London); *WA* = West Africa (London); *XNA* = Xinhua News Agency.

- ¹ Excerpts of the Final Declaration are contained in *Disarmament Newsletter* (New York) October 1985.
- ² Only India conducted a 'peaceful' nuclear explosion in 1974.
- ³ Pérez de Cuellar's message is in *Disarmament Newsletter* (New York) October 1985, and *UNPR*, NPT/6, 27 August 1985.
- ⁴ Gorbachev's message is in *SN*, 28 August 1985 and *SW*, 7 September 1985.
- ⁵ On the South Pacific Nuclear Free Zone, see *TWQ*, 8(1) January 1986, p 292-3.
- ⁶ *IHT* 28, 29, 30 August 1985 and 23 September 1985; *FT*, 27, 28, 29 August 1985 and 2, 20, 23, 26 September 1985; *T*, 27, 29, 30 August 1985 and 2, 21 September 1985; *G*, 26, 28, 30 August 1985 and 3 September 1985; *Obs*, 1, 22 September 1985. *ST* 22 September 1985. *Econ* 28 September 1985; *ADIU Report* (Sussex) November-December 1985; *UNPR*, NPT/60 of 21 August 1985, NPT/106 of 18 September 1985 and NPT/107 of 23 September 1985.
- ⁷ See *TWQ*, 7(4) October 1985, p 1011.
- ⁸ *TWQ*, 7(4) October 1985, p 1011.
- ⁹ *FT*, 10 September 1985, *WA* 28 October 1985 and *UNPR*, IFAD/264, 6 September 1985.
- ¹⁰ *FT*, 17 and 30 September 1985; *UNCTAD Bulletin* (Geneva) October 1985; *UNPR*, (Geneva) TAD/INF/1715 of 16 September 1985, 1716 of 18 September 1985, 1717 of 19 September 1985, 1718 of 20 September 1985, 1719 of 23 September 1985 and 1722 of 30 September 1985.
- ¹¹ *T*, 12, 15 October 1985.
- ¹² George Shultz's speech is in *USIS*, 24 September 1985.
- ¹³ Eduard Shevardnadze's speech is in *SW*, 25 September 1985, p 338.
- ¹⁴ *TWQ*, 7(3) July 1985, p 699-700.
- ¹⁵ President Reagan's speech is printed in *T* 25 October 1985, and excerpts are in *G*, 25 October 1985.
- ¹⁶ *FT*, 23, 24 September 1985, 22, 23, 24, 25 October 1985; *IHT*, 27 September 1985, 3, 9, 18, 21, 22, 24, 26-7 October 1985; *G*, 17 September 1985, 17, 22, 24, 25, 26 October 1985, *T*, 21, 25 October 1985; *ST*, 27 October 1985; *UNPR*, GA/7125 of 23 September 1985, 7127 of 23 September 1985, 7128 of 24 September 1985, 7177 of 24 October 1985 and 7179 of 14 October 1985.
- ¹⁷ See *TWQ* 8(1) January 1986, p 278-80.
- ¹⁸ Amadou Mahtar M'Bow, met Britain's Foreign Secretary, Sir Geoffrey Howe, and the Minister for Overseas Development, Timothy Raison, in London during November 1985, in an attempt to persuade Britain to remain in UNESCO. *G*, 20 November 1985 and *T*, 19 November 1985. Appeals were also made to that end by Japan and West Germany. *G*, 27 November 1985; *T*, 27 November 1985 and 5 December 1985. Both the Foreign Affairs Committee of the House of Commons, and the UK National Commission of UNESCO, chaired by Timothy Raison, recommended a rescinding of Britain's withdrawal. *FT*, 25 September 1985; *IHT*, 26 September 1985; *T*, 25, 30 November 1985; *G*, 29, 30 November 1985. Despite these moves the UK government confirmed its decision to withdraw on 5 December 1985. Despite reports of US encouragement to Britain to pursue reforms outside the organisation (*G* 22, 30 November 1985) Timothy Raison denied that pressure from the US had influenced Britain's decision. *FT*, 26 November 1985.
- ¹⁹ *ST*, 10 November 1985; *T*, 11 November 1985; *G*, 11 November 1985.

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- ²⁰ *G*, 9 September 1985, 8, 11 October 1985, 4, 5, 7, 11, 16 November 1985, 3, 5 December 1985; *T*, 13 September 1985, 4, 8, 9, 10, 11, 15, 30 October 1985; 9, 11, 18 November 1985; *FT*, 25 September 1985, 1, 9 October 1985, 4, 5, December 1985; *IHT*, 30 September 1985, 9, 11, 14, 15, 24 October 1985, 4, 11 November 1985; *Obs*, 22 September 1985, 3 November 1985; *ST*, 27 October 1985, 1 December 1985; *Econ*, 26 October 1985, 16 November 1985; *XNA*, 9, 11, 21, 25 October 1985, 11, 14 November 1985; *WA*, 21 October 1985, 4, 25 November 1985; *UNPR*, UNESCO/2493 of 24 September 1985, 2493 of 27 September 1985, 2494 and 5 of 9 October 1985, 2499 of 14 October 1985, 2503 of 21 October 1985, 2505 of 22 October 1985, 2506 of 23 October 1985, 2509 of 24 October 1985; 2512 of 4 November 1985, 2513 of 6 November 1985 and 2515 of 11 November 1985.
- ²¹ The eight semi-arid countries are Burkina Faso, Cape Verde, Chad, Gambia, Mali, Mauritania, Niger and Senegal.
- ²² *IHT*, 8 November and 29 November 1985; *FT*, 8 November, 12 November and 21 November 1985; *Kavhan International* (London) 10 November 1985; *XNA*, 11 November, 16 November and 30 November 1985; *FAO Press Releases* 85/65, 4 November, 85/67 9 November 85/68, 12 November and 85/70, 11 November 1985.
- ²³ The G24 report is printed in full in *IMF Survey* (Washington DC) September 1985
- ²⁴ For the G10 meeting in Tokyo in June 1985, see *TWQ*, 7(4) October 1985, p 1039-40
- ²⁵ *IMF Survey* (Washington DC) 26 August 1985 and September 1985.
- ²⁶ The G24 communiqué is in *IMF Survey* (Washington DC) 28 October 1985. See also *IHT* 3 October 1985; *FT*, 4 October 1985, *G*, 4 October 1985; *Obs*, 6 October 1985.
- ²⁷ For the G10 meeting at which the report was approved, see *TWQ*, 7(4) October 1985, p 1039-40
- ²⁸ For the G24 meeting see *TWQ*, 8(2) April 1986, p 689-90.
- ²⁹ The Interim and Development Committee communiqués are in *IMF Survey* (Washington DC) 28 October 1985
- ³⁰ The fifteen debtor countries were listed as Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Philippines, Peru, Uruguay, Venezuela, Yugoslavia. *FT*, 28 October 1985. Extracts from Baker's speech are in *FT*, 9 October 1985.
- ³¹ Present at the meeting were Finance Ministers from the US, France, Japan and West Germany. The British Chancellor, Nigel Lawson, declined to attend the Seoul meetings because they coincided with the British Conservative Party Conference. He was represented by Ian Stewart, a junior Treasury Minister. See *T*, 5, 7 October 1985; *G*, 5, 7 October 1985, *ST*, 6 October 1985, *Obs*, 6 October 1985; *FT* 7 October 1985, *IHT* 8 October 1985.
- ³² For the G5 September meeting, see *TWQ*, 8(1) January 1986, p 293-4. The October meeting had previewed Baker's debt proposals, as well as expressing satisfaction with progress on the dollar
- ³³ *FT*, 10, 11, 24 October 1985; *T*, 11 October 1985; *G* 11 October 1985; *IHT* 11 October 1985.
- ³⁴ *IHT*, 4, 7, 8, 9, 12-13, 14 October 1985; *FT*, 7, 8, 9, 10, 11, 28, 31 October 1985; *G*, 4, 7, 8, 9, 12, 30 October 1985; *T*, 9, 12, 30 October 1985, *ST*, 13 October 1985; *Econ*, 12, 19 October 1985; *S*, November 1985, *WA*, 14 October 1985; *FEER*, 24 October 1985; *IMF Survey* (Washington DC) 28 October 1985.
- ³⁵ See *TWQ*, 8(1) January 1985, p 288-9.
- ³⁶ See *S*, November 1985, p 144-5.
- ³⁷ *G*, 4 November 1985; *FT*, 5, 6, 8 and 20 November 1985; *ST*, 10 November 1985; *S*, January 1986, p 108; *WA*, 11 November 1985, p 2380.
- ³⁸ *FT*, 19 September 1985; *G*, 30 September 1985
- ³⁹ *ITC Communiqué*, 27 September 1985; *G*, 30 September 1985.
- ⁴⁰ The LME statement together with the *ITC* communiqué following the first emergency session is in *FT*, 31 October 1985
- ⁴¹ *FEER*, 19 December 1985; *Econ*, 2 November, 9 November and 16 November 1985, *WA*, 4 November, 11 November and 18 November 1985; *S*, December 1985, p 17-19; *ITC Press Communiqué*, 30 October, 7 November, 20 November and 20 December 1985. *FT*, 25, 29, 30, 31 October, 1, 2, 5, 6, 7, 8, 9, 13, 14, 15, 16, 20, 21, 27 and 28 November and 2, 3, 4, 5, 6, 10, 11, 12, 13, 16, 18, 19 and 20 December 1985; *G*, 28, 30 and 31 October, 1, 2, 11, 12, 14, 16 and 25 November and 2 and 16 December 1985; *IHT*, 2, 5, 7, 15, 21 November and 21-22 December 1985; *Obs*, 10 November 1985 and *T*, 24 December 1985.

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- ⁴² For the first and second rounds of the Geneva arms talks, see *TWQ*, 7(4) October 1985, p 1030-1 and 8(1) January 1986, p 289-91.
- ⁴³ Mikhail Gorbachev's remarks were made in an interview with *Time* magazine. They are transcribed in *SN*, 4 September 1985, p 309.
- ⁴⁴ President Reagan's remarks on SDI were made at a press conference, after the first US anti-satellite weapon test (ASAT) had been carried out *G*, 19 September 1985; *IHT* 19 September 1985.
- ⁴⁵ Shevardnadze's speech to the UNGA is in *SN*, 4 September 1985, p 338. See also *FT*, 25 September 1985; *IHT*, 25, 29 September 1985.
- ⁴⁶ The letter (in Russian) was delivered by Eduard Shevardnadze, at a meeting with President Reagan in Washington DC, on 27 September 1985.
- ⁴⁷ Extracts of Gorbachev's speech are printed in *FT*, 4 October 1985 and *G*, 4 October 1985. President Mitterrand, while publicly stating his opposition to the deployment of space weapons, and saying that France would not participate in the Programme, declined to issue a joint communiqué with the Soviet leader during his visit, designed to emphasise differences between the French and US positions on SDI. Instead, he stressed that France and the US were allies, and he made critical reference to human rights violations in the Soviet Union. *FT*, 4, 5 October 1985; *IHT* 4, 5-6 October 1985; *T*, 4, 5 October 1985; *G*, 4, 5 October 1985, *Econ*, 5, 12 October 1985.
- ⁴⁸ Mitterrand rejected the Soviet proposal at a joint press conference with Gorbachev, at the end of the latter's state visit.
- ⁴⁹ *FT*, 5 October 1985; *G*, 5, 9 October 1985; *Obs*, 6 October 1985.
- ⁵⁰ These remarks in reaction to the Soviet proposal were made by Robert McFarlane, and George Shultz.
- ⁵¹ The reaction was from a *New York Times* account of a briefing by US officials accompanying Shultz on his state visit to Moscow on 5-6 November 1985. *FT*, 5 November 1985.
- ⁵² *Obs*, 3 November 1985, *ST*, 3 November 1985, *FT*, 1, 2 November 1985; *IHT* 1, 2-3 November 1985; *G*, 1, 2 November 1985; *T*, 1, 2 November 1985.
- ⁵³ *G*, 30 October 1985; *IHT* 30 October 1985; *T*, 30 October 1985.
- ⁵⁴ *G*, 4 November 1985; *IHT* 4 November 1985.
- ⁵⁵ ADIU Report (Sussex) November-December 1985; *XNA*, 8 November 1985; *T*, 8 November 1985; *FT*, 4 November 1985; *ST*, 17 November 1985; *Econ*, 9 November 1985.
- ⁵⁶ On the Shultz-Shevardnadze meeting at Helsinki, see *TWQ*, 8(1) January 1986, p 291-2.
- ⁵⁷ See *T*, 26, 27 September 1985; *IHT* 27 September 1985, *FT*, 26 September 1985; *G*, 26, 27 September 1985; *SN*, 25 September 1985, p 341 and 2 October 1985, p 352.
- ⁵⁸ See *G*, 28 October 1985.
- ⁵⁹ See *T*, 28, 30 September 1985; *G*, 28, 30 September 1985; *IHT*, 28-9, 30 September 1985, *FT*, 28, 30 September 1985, *SN*, 2 October 1985, p 350.
- ⁶⁰ See *FT*, 4, 6, 7, 8, 11 November 1985; *IHT* 4, 6, 11 November 1985, *T*, 5, 6 November 1985, *G*, 4, 5, 6, 7, 8, 11 November 1985; *SN*, 2, 9 October 1985, p 346.
- ⁶¹ President Reagan retracted a statement made during an interview with the Soviet press, and published by *Izvestia* on 4 November 1985, to the effect that SDI would not be deployed until nuclear weapons had been eliminated. When questioned later by Western journalists, he said that he had not intended to grant the Soviet Union a veto over SDI deployment by their refusing to eliminate nuclear weapons. For a transcript of the original interview, see *UMS*, 5 November 1985.
- ⁶² See *IHT*, 25 October 1985; *G*, 25 October 1985, *T*, 26 October 1985.
- ⁶³ Shevardnadze's speech is in *SN*, 6 November 1985, p 411. See also *IHT*, 25 October 1985; *G*, 25 October 1985.
- ⁶⁴ The text of the Gorbachev-Reagan joint statement is printed in *T*, 22 November 1985, *FT*, 22 November 1985; and excerpts in *G*, 22 November 1985.
- ⁶⁵ Those attending the summit were Margaret Thatcher, Prime Minister of Britain, Chancellor Helmut Kohl of West Germany; Prime Minister Bettino Craxi of Italy, Prime Minister Yasuhiro Nakasone of Japan; and Prime Minister Brian Mulroney of Canada. President Mitterrand of France refused to attend, and was reported to have been embarrassed to receive such a summons (leaked to the public prematurely, in Bonn) just as he was preparing to receive a state visit from Mikhail Gorbachev. See *FT*, 1, 2, 3 October 1985, *G*, 1, 3, 25, 28 October 1985; *IHT*, 1, 2, 25 October 1985; *G*, 1, 23 October 1985.

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- ⁶⁶ A letter from the US Defence Secretary, Caspar Weinberger, leaked to the *New York Times* on 17 November 1985, advised President Reagan against accepting a restrictive interpretation of the ABM Treaty which could limit the development of space weapons, or making commitments on SALT II. Though decried as an attempt to sabotage the summit, the leak was played down by both sides. *IHT*, 18, 19 November 1985; *T*, 18 November 1985; *FT*, 18 November 1985; *G*, 18, 19 November 1985; *Obs*, 17 November 1985.
- ⁶⁷ The joint statement to the two leaders was from President Raúl Alfonsín of Argentina, President Miguel de la Madrid of Mexico, Prime Minister Olof Palme of Sweden, Prime Minister Rajiv Gandhi of India, President Julius Nyerere of Tanzania, and Prime Minister Andreas Papandreu of Greece. It was printed in *IHT*, 31 October 1985. Gorbachev's reply is in *SN*, 13 November 1985, p 419 and *SW*, 16 November 1985. See also *T*, 9 November 1985.
- ⁶⁸ *G*, 23 November 1985.
- ⁶⁹ President Reagan's offer to share SDI had been made previously in an interview with the BBC: *T*, 31 October 1985; *FT*, 31 October 1985; *G*, 31 October 1985. For the transcript of the interview, see *USIS* Official Texts, 31 October 1985.
- ⁷⁰ For Shultz's reports on the Afghanistan developments, see *G*, 25 November 1985; *T*, 25 November 1985; *IHT*, 26 November 1985.
- ⁷¹ For excerpts of Gorbachev's press conference speech, see *G*, 22 November 1985. See also *G*, 20 November 1985.
- ⁷² For the remarks made by both leaders at a joint closing ceremony, see *T*, 22 November 1985. See also *G*, 21 November 1985.
- ⁷³ Attending the Warsaw Pact briefing were Gustáv Husák of Czechoslovakia, Todor Zhivkov of Bulgaria, Erich Honecker of East Germany, János Kádár of Hungary, Wojciech Jaruzelski of Poland and Nicolae Ceausescu of Romania. See *T*, 22 November 1985; *FT*, 22 November 1985; *IHT*, 22, 23-4 November 1985; *G*, 22, 23 November 1985; *XNA*, 22, 23 November 1985.
- ⁷⁴ Excerpts from President Reagan's address to US Congress are in *G*, 23 November 1985; and *T*, 23 November 1985. The full text is in *USIS*, 22 November 1985. See also *T*, 22 November 1985; *IHT*, 23-4 November 1985; and *G*, 22 November 1985.
- ⁷⁵ The NATO briefing was attended by thirteen heads of government (excluding those of Greece, France and Spain) and by all sixteen foreign ministers. *T*, 22 November 1985; *FT*, 22 November 1985; *FT*, 22 November 1985; *G*, 22 November 1985; *IHT*, 22 November 1985; *XNA*, 22 November 1985.
On the Summit in general, see *T*, 18, 19, 20, 21, 22, 23 November 1985; *FT*, 18, 19, 20, 21, 22 November 1985; *IHT*, 18, 19, 20, 21, 22, 23-4, 25 November 1985; *G*, 18, 19, 20, 21, 22, 23 November 1985; *ST*, 24 November 1985; *Obs*, 24 November 1985; *Econ*, 23 November 1985.
- ⁷⁶ *FT*, 3 October 1985; *G*, 3 October and 4 October 1985; *IHT*, 3 October 1985.
- ⁷⁷ *IHT*, 8 October 1985.
- ⁷⁸ *FT*, 10 October 1985 and *G*, 10 October 1985.
- ⁷⁹ McFarlane's remarks were made on 6 October in a TV interview. It was reported that Shultz had threatened to resign in order to persuade President Reagan to return to a restrictive interpretation of the Treaty but these reports were officially denied. *FT*, 14 October and 18 October 1985; *IHT*, 10 October and 18 October 1985; *T*, 15 October and 18 October 1985; *G*, 10 October and 18 October 1985; *Econ*, 2 November 1985.
- ⁸⁰ *IHT*, 16 October 1985; *G*, 16 October 1985 and *FT*, 16 October 1985.
- ⁸¹ See *TWQ*, 7(3) July 1985, p 696-7.
- ⁸² *FT*, 29 October, 30 October and 31 October 1985; *T*, 29 October, 30 October and 31 October 1985; *G*, 29 October, 30 October and 31 October 1985; *IHT*, 29 October, 30 October and 31 October 1985; *XNA*, 30 October and 31 October 1985; *Obs*, 3 November 1985; *ST*, 3 November 1985.
- ⁸³ *FT*, 15 November 1985; *G*, 16 November 1985.
- ⁸⁴ Denmark and Greece reserved their positions on INF in the DPC.
- ⁸⁵ *FT*, 3 December and 4 December 1985; *IHT*, 3 December and 4 December 1985; *G*, 3 December and 4 December 1985; *T*, 3 December, 4 December and 5 December 1985; *XNA*, 4 December and 5 December 1985.
- ⁸⁶ *G*, 11 December, 12 December and 13 December 1985; *IHT*, 13 December, 14-15

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- December 1985; *FT*, 13 December and 14 December 1985; *T*, 14 December 1985 and *XNA*, 14 December and 16 December 1985.
- ⁸⁷ The seven Warsaw Pact members are Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the USSR.
- ⁸⁸ The offers were made at the Geneva arms control negotiations and during Gorbachev's state visit to France on 4 October 1985. See *TWQ* 8(2) April 1986, pp 699-700.
- ⁸⁹ *IHT*, 22 October, 23 October and 24 October 1985; *T*, 22 October; *G*, 22 October and 23 October 1985; *FT*, 22 October and 24 October 1985 and *XNA*, 23 October, 24 October and 25 October 1985.
- ⁹⁰ Soon after the Antarctica conference in Brussels, the UN General Assembly voted, by a large majority, in favour of international control over the continent's mineral resources, and of expanding the scope of a UN study of the region. It also demanded the removal of South Africa from the eighteen consultative members administering Antarctica under the Antarctic Treaty. *G*, 4 December 1985.
- ⁹¹ *FT*, 7 October 1985; *T*, 21 October 1985; *XNA*, 21 October 1985.
- ⁹² The Commonwealth Accord on Southern Africa is printed in *T*, 22 October 1985; *T*, 22 October 1985 and excerpts in *G*, 22 October 1985. A partial text of the CHOGM communiqué is in *T*, 24 October 1985. The Nassau Declaration on World Order is in *Commonwealth Currents*, December 1985.
- ⁹³ Britain was required by the EEC decision only to withdraw its military attachés from Pretoria. It was already implementing the other measures in the EEC package which it was the only EEC country to vote against.
- ⁹⁴ An article by Sir Geoffrey Howe, the British Foreign Secretary, outlining the reasons for the British government's opposition to sanctions, is in *ST*, 13 October 1985.
- ⁹⁵ Johnstone Makatini, Head of the ANC International Department, was reported to have offered an ANC truce to Pretoria if President Kaunda's five steps were put into effect. *G*, 25 October 1985 and *SWB*, ME/8090/B/3, 24 October 1985. This offer was subsequently denied by ANC headquarters in Lusaka. *SWB*, ME/8092/ii, 26 October 1985.
- ⁹⁶ The members of the group were eventually decided as: Malcolm Fraser, former Prime Minister of Australia; General Olusegun Obasanjo, former Head of State of Nigeria; Lord Barber of Wentbridge, former British Chancellor of the Exchequer, Dame Nita Barrow, a President of the World Council of Churches; John Malecela, former Minister in the Tanzanian government; Sardar Swaran Singh, former Minister in the Indian government, and Archbishop Edward W. Scott, Primate of the Canadian Anglican Church. Malcolm Fraser and General Obasanjo were to be Co-Chairmen of the group, which was due to meet in mid-December. *Commonwealth News Release* (London) 85/31, 25 November 1985. Margaret Thatcher was unsuccessful in her attempts to have the British Foreign Secretary, Sir Geoffrey Howe, included in the group, which the Commonwealth Secretary-General, Shridath Ramphal maintained should not be composed of present incumbents of government office. *G*, 28, 29, 31 October 1985; *FT*, 29 October 1985.
- ⁹⁷ *FT*, 28 September 1985 and 5, 14, 15, 16, 17, 18, 22, 23 October 1985; *T*, 14, 17, 19, 21, 22, 23, 24 October 1985; *G*, 15, 16, 17, 18, 19, 21, 22, 23 October 1985; *IHT*, 18, 22 October 1985, *ST*, 13, 20 October 1985; *Obs*, 13, 20 October 1985, *W.A.*, 14, 21, 28 October 1985, *Africa Accord* (London) 31 October 1985; *Commonwealth Currents* (London) December 1985. For a list of Commonwealth countries and their leaders see *T*, 9 October 1985 and *Commonwealth Currents* (London) October 1985.
- ⁹⁸ See *TWQ* 8(1) January 1986, p 298-9.
- ⁹⁹ *FT*, 27 September and 30 September 1985, 10 October, 2 October, 3 October and 4 October 1985; *IHT*, 27 September and 2 October 1985, *T*, 30 September 1985, *G*, 30 September 1985, 1 October and 4 October 1985; *Econ*, 5 October and 12 October 1985; *XNA*, 2 October and 4 October 1985; *FEER*, 17 October 1985, p 72 and *GATT Focus* (Geneva) October-November 1985.
- ¹⁰⁰ *FT*, 15 November 1985, *IHT*, 16-17 November 1985.
- ¹⁰¹ *G*, 16 November 1985; *FT*, 18 November, 21 November, 25 November, 26 November, 27 November, 28 November and 29 November 1985; *IHT*, 23-24 November, 26 November, 29 November 1985; *T*, 26 November, 28 November, 29 November 1985; *Econ*, 30 November 1985; *FEER*, 12 December 1985, p 60-61; *XNA*, 27 November and 30 November 1985, *GATT Focus* (Geneva) December 1985-January 1986.

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- ¹⁰² On the first meeting on the future of the MFA, see *TWQ* 8(1), January 1986, p 299-300.
- ¹⁰³ *GATT Focus* (Geneva) December 1985-January 1986; *FT*, 5 December 1985 and *XNA*, 6 December 1985
- ¹⁰⁴ *FT*, 14 October 1985; *T*, 16 October 1985; *XNA*, 16, 17 October 1985; *SWB*, ME/W1361/i, 22 October 1985; *ACP-EEC Courier* (Brussels) No. 94, November-December 1985, p 49-50
- ¹⁰⁵ The two EEC ministers present at the meeting were Martin Bangemann, West Germany's Federal Minister of Economics, and Paul Channon, Britain's Trade Minister
- ¹⁰⁶ *FT*, 7, 18, 19 October 1985; *I*, 18, 19 October 1985; *G*, 18 October 1985; *IHT*, 17, 18 October 1985; *XNA*, 12, 18, 19 October 1985; *Eurofocus* (Brussels) 31/85 of 16-23 September 1985 and 37/85 of 28 October 1985-4 November 1985; *FEER*, 24 October 1985.
- ¹⁰⁷ For the speech given by Nicaraguan President Daniel Ortega, declaring a state of emergency in Nicaragua, see *SWB*, MF/8084/D/1, 17 October 1985.
- ¹⁰⁸ See *TWQ* 7(2) April 1985, p 422.
- ¹⁰⁹ *FT*, 11, 12, 13, 21 November 1985; *G*, 12 November 1985, *T*, 12 November 1985; *IHT*, 13 November 1985; *Eurofocus* (Brussels) 41/85, 25 November-2 December 1985; *XNA*, 13, 14 November 1985.
- ¹¹⁰ The seventeen heads of state were from Benin, Burundi, Central African Republic, Chad, Comoros, Congo, Djibouti, Gabon, Île Maurice, Ivory Coast, Mali, Morocco, Niger, Rwanda, Senegal, Togo, Zaire.
- ¹¹¹ See *TWQ* 8(1) January 1986, p 324-5
- ¹¹² *WA*, 23/30 December 1985, p 2677.
- ¹¹³ See *WA*, 23/30 December 1985, p 2675
- ¹¹⁴ *FT*, 26 November 1985 and 12, 14 December 1985; *T*, 12 December 1985, *IHT*, 13 December 1985; *XNA*, 30 November 1985 and 13, 14, 16 December 1985; *SWB*, ME/8117/n of 25 November 1985, ME/8126/n of 5 December 1985, ME/8132/n of 12 December 1985, ME/8133/n of 13 December 1985, ME/8135/n of 16 December 1985 and ME/8136/B/2 3 of 17 December 1985, *WA*, 16 December 1985, p 2668 and 23/30 December 1985, p 2675-7; *Afrique-Asie* (Paris) 16 December 1985 p 14-19 and 30 December 1985 p 14-15
- ¹¹⁵ *The Courier*, ACP-EEC, No. 94 (Brussels), November-December 1985.
- ¹¹⁶ *The Courier*, ACP-EEC, No. 94, (Brussels), November-December 1985, *WA*, 25 November 1985, p 2487, *XNA*, 23 October and 28 October 1985 and *SWB*, MF/8095/i, 30 October 1985
- ¹¹⁷ The leaders were President Hussain Mohammad Ershad of Bangladesh, King Jigme Singye Wangchuk of Bhutan, Prime Minister Rajiv Gandhi of India, President Maumoon Abdul Gayoom of the Maldives, King Birendra Bir Bikram of Nepal, President Zia ul-Haq of Pakistan and President Junius Jayewardene of Sri Lanka. For the previous SARC meetings in May, see *TWQ*, 7(4) October 1985, p 1044
- ¹¹⁸ Highlights from the SAARC Charter are in *Dawn* (Karachi) 7 December and 9 December 1985.
- ¹¹⁹ The Dhaka Declaration is in *The Hindu* (Madras) 9 December 1985
- ¹²⁰ India accounts for 740m of the total 1bn population of SAARC countries
- ¹²¹ For extracts from the speeches see *SWB*, FE/8129/A/3/7-10, 9 December 1985, *SWB*, FE/8130/A/3/4-8, 10 December 1985 and *SWB*, FE/8131/A/3/4-5, 11 December 1985
- ¹²² For President Ershad's press conference at the close of SAARC see *SWB*, FE/8132/A/3/1, 12 December 1985. On the summit and the meetings preceding it see, *I*, 4, 5, 6, 7, 8, 9, 10 and 11 December 1985; *D*, 4, 5, 6, 7 and 9 December 1985; *FT*, 6, 7, 8 and 12 December 1985, *IHT*, 7-8 December and 9 December 1985; *G*, 6 December and 9 December 1985; *T*, 7, 9, 10 and 11 December 1985, *BBC*, *SWB*, FE/8127/A/3/8, 6 December and FE/8129/A/3/6, 9 December 1985; *FEER*, 5 December and 19 December 1985; *Econ*, 21 December 1985 and *XNA*, 18 November, 21 November, 5 December, 6 December and 9 December 1985.
- ¹²³ *XNA*, 8 October, 9 October and 10 October 1985.
- ¹²⁴ The text of the final statement in *SWB*, ME/8089/A/7-8 23 October 1985.
- ¹²⁵ See *SWB*, ME/8089/A/8-9, 23 October 1985 and *XNA*, 23 October 1985.
- ¹²⁶ *XNA*, 21 October and 22 October 1985; *SWB*, MF/8089/A/7-9, 23 October 1985
- ¹²⁷ *T*, 29 October 1985; *FT*, 2 November 1985; *SWB*, ME/8095/i, 30 October 1985; *XNA*, 28 October 1985

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- ¹²⁸ *SWB*, 21 November 1985 and *XNA*, 6 November 1985.
- ¹²⁹ *XNA*, 8 November, 12 November and 13 November 1985; *SWB*, ME/8107/i, 13 November 1985.
- ¹³⁰ *XNA*, 7 November 1985.
- ¹³¹ *XNA*, 13 December 1985.
- ¹³² See *TWQ*, 8(1) January 1986, p 304-6.
- ¹³³ *XNA*, 24 October, 7 November 1985 and *IHT*, 21 October 1985.
- ¹³⁴ *SWB*, ME/8100A/1, 5 November, ME/8101/i, 6 November, ME/8144/A/4, 21 November 1985; *XNA*, 4 November, 5 November, 6 November, 7 November and 8 November 1985; *FEER*, 28 November, p 20-21; *FT*, 4 November, 7 November, 8 November 1985; *IHT*, 5 November and 8 November 1985 and *MEER*, November 1985.
- ¹³⁵ There were Oil Ministers from Bahrain, Iraq, Kuwait, Saudi Arabia and the UAE and representatives from Algeria, Libya, Qatar, Syria and Tunisia.
- ¹³⁶ *MEES*, 9 December 1985; *XNA*, 28 November 1985 and *SWB*, ME/W1367/i, 3 December 1985.
- ¹³⁷ See *TWQ*, 8(1) January 1986, p 311-2.
- ¹³⁸ See *FT*, 6 December 1985.
- ¹³⁹ The communiqué is in *MEES*, 16 December 1985, p A4-5.
- ¹⁴⁰ See *MEES*, 9 December 1985, p A2-3 and *FT*, 6 December 1985. Ministers from several OPEC countries including Saudi Arabia, Iran, Algeria, Nigeria and Libya declined to participate in the committee. *MEES*, 16 December 1985. Later reports suggested that a Nigerian proposal for African oil exporting countries to form a consultative group, similar to the Organisation of Arab petroleum Exporting Countries (OAPEC) had received a favourable response from African countries at the OPEC meeting. *MEES*, 23-30 December 1985.
- ¹⁴¹ *FT*, 9, 10, 12 December 1985; *IHT*, 7-8, 9, 10 December 1985; *T*, 9 December and 10 December 1985; *G*, 9 December and 11 December 1985. *MEED*, 14 December 1985, p 6-7. *MEED*, 14 December 1985, p 6-7; *MEES*, 9 December, 16 December and 23 December 1985; *WA* 9 December, p 2566-8, and 16 December 1985, p 2624 and 2651; *Obs*, 15 December 1985 and *XNA*, 9, 10, 11 and 12 December 1985.
- ¹⁴² See *TWQ*, 8(1) January 1985, p 319-20.
- ¹⁴³ *FT*, 19 September, 3 October and 15 October 1985; *XNA*, 10 October, 14 October, 21 October and 22 October 1985; *SWB*, ME/8078/D/1-2, 10 October 1985, ME/8079/iii, 11 October 1985 and ME/8080/iii, 12 October 1985; *Agencia Nueva Nicaragua* (Utrecht), 21 October 1985 and *Econ*, 26 October 1985.
- ¹⁴⁴ The communiqué is in *SWB*, ME/8117/D/1-2, 25 November 1985.
- ¹⁴⁵ The letter is in *SWB*, ME/8107/D/1-3, 13 November 1985 and the document is in *SWB*, ME/8108/D/1-6, 14 November 1985.
- ¹⁴⁶ On the US-Nicaraguan meeting on 29 October to discuss the resumption of the Manzanillo talks, see *XNA*, 31 October and 2 November 1985.
- ¹⁴⁷ On 11 December 1985 following an informal Contadora—Central American countries meeting in Cartagena, Colombia, on 6 December 1985 (which Nicaragua boycotted), the Colombian Foreign Minister, Augusto Ramirez Ocampo, said that the Contadora Group was suspending negotiations on the draft peace treaty until May 1986. He was reported to have said that this five-month delay was requested by Nicaragua which also appealed for a halt to US military activities in the region before the peace treaty was discussed. The Nicaraguan representative cited the imminent elections in Honduras, Costa Rica and Guatemala as a reason for suspending the talks as a change in government could alter a country's stance towards the treaty.
- ¹⁴⁸ See *XNA*, 19 December and 24 December 1985. *SWB*, ME/8145/iii, 1 January 1986, and *T*, 9 December 1985.
On the November meeting, see *SWB*, ME/8107/iii, 13 November. ME/8108/iii, 14 November, ME/8116/iii, 23 November and ME/8117/D/1-2, 25 November 1985; *XNA*, 21 November, 23 November and 12 December 1985; *FT*, 12 November, 13 November and 21 November 1985; *IHT*, 13 November 1985 and *T*, 13 November and 23 November 1985.
- ¹⁴⁹ The Cartagena Group was formed in June 1984. See *TWQ*, 6(4) October 1984, p 1078-81. It consists of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Peru, Dominican Republic, Uruguay and Venezuela.

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¹⁵⁰ See *TWQ* 8(2) April 1986, pp 691–5.

¹⁵¹ Excerpts from the Declaration are in *SWB*, ME/8138/D/1, 19 December 1985.

¹⁵² *FT*, 13, 16, 17 and 18 December 1985; *T*, 16, 17 and 19 December 1985; *IHT*, 19 December and 24–5 December 1985; *XNA*, 17 December and 19 December 1985; *SWB*, ME/8138/iii and ME/8138/D/1–2, 19 December 1985.

¹⁵³ *XNA*, 7 October 1985; *SWB*, ME/8077/ii, 9 October 1985.

¹⁵⁴ See *TWQ*, 8(1) January 1986, p 330.

¹⁵⁵ *XNA*, 12 October 1985; *SWB*, ME/8080/ii, 12 October 1985 and ME/8081/ii, 12 October 1985.

¹⁵⁶ *SWB*, ME/8086/ii, 19 October 1985 and ME/8093/ii, 28 October 1985.

¹⁵⁷ *SWB*, ME/8134/ii, 14 December 1985.

¹⁵⁸ *SWB*, ME/8111/B/7–8, 18 November 1985 and ME/8113/B/5, 20 November 1985; *XNA*, 18 November 1985.

¹⁵⁹ *XNA*, 30 November 1985, *SWB*, ME/8123/ii, 2 December 1985.

Book Reviews

The titles reviewed are listed below with names of authors and editors

Harrison, Nancy: **Winnie Mandela, Mother of a Nation**

Mandela, Winnie (Edited by Anne Benjamin and adapted by Mary Benson):
Part of My Soul

Gurdon, Charles: **Sudan at the Crossroads**

Khalid, Mansour: **Nimieri and the Revolution of Dis-May**

Malwal, Bona: **The Sudan: A Second Challenge to Nationhood**

Ascher, William: **Scheming for the Poor: The Politics of Redistribution in Latin America**

Reid, Michael: **Peru: Paths to Poverty**

O'Brien, Phil and Roddick, Jackie: **Chile: The Pinochet Decade**

Dunkerley, James: **Rebellion in the Veins: Political Struggle in Bolivia 1952-82**

Black, George with Jamail, Milton and Chinchilla, Stoltz: **Garrison Guatemala**

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Krasner, Stephen D: **Structural Conflict: The Third World Against Global Liberalism**

Jackson, Richard L: **The Non-Aligned, the UN, and the Superpowers**

Sewell, John W, Feinberg, Richard E, and Kallab, Valeriana: **US Foreign Policy and the Third World: Agenda 1985-1986**

Gimeno, Jose Blat: **Education in Latin America and the Caribbean: Trends and Prospects 1970-2000**

Bray, Mark: **Educational Planning in a Decentralised System: The Papua New Guinea Experience**

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Hancock, Graham: **Ethiopia-The Challenge of Hunger**

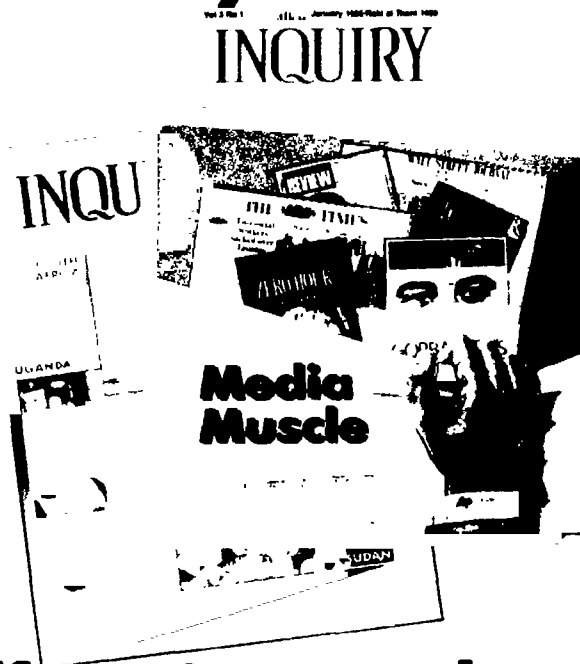
Rahmato, Dassalegn: **Agrarian Reform in Ethiopia**

Firebrace, James with Holland, Stuart: **Never Kneel Down: Drought, Development and Liberation in Eritrea**

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The Mandelas: fighting for freedom

Cosmas Desmond

Winnie Mandela, Mother of a Nation

Nancy Harrison

London: Victor Gollancz. 1985. 181pp. £8.95

Part of My Soul

Winnie Mandela (Edited by Anne Benjamin and adapted by Mary Benson)

London: Penguin. 1985. 164pp £2.95pb

At the outset I should perhaps admit to a bias: I had the privilege of being closely associated with Winnie Mandela for a number of years and have the greatest admiration and affection for her. I therefore find it very difficult to write about her with any degree of objectivity. But I think it is quite impossible for anybody to capture her personality or to encapsulate her political views and assess her political role on the basis of a few interviews. It is a pity that these attempts, well-intentioned and useful to a point that they are, were not pre-empted by Zindzi Mandela's planned history of the family to which Nelson Mandela refers in one of his letters to his wife. His advice was that 'even those most dear to her must appear not as angels but as real men of flesh and blood with virtues and weaknesses. . . . Zindzi's work would serve wider issues and its main aim would not be the commercial one or desire for publicity.' Only someone like Zindzi or one who is not only close to the family but who has also shared in their suffering and in the wider struggle could really follow that advice. It would be presumptuous for anybody else to speak of the 'weaknesses' of one who has spent a lifetime fighting for freedom.

I am also hesitant to offer any comment on the present internal South African situation, since it is constantly changing. Throughout all the changing circumstances in South Africa over the past twenty or so years, however, there has been one constant factor: the acknowledgement by the majority of the people of Nelson Mandela firstly as a, and more recently as *the*, leader. The longer he has been in prison the more he has grown in stature both nationally and internationally. He has become a folk hero and invested with almost messianic qualities. But his position is not the product of mythology: it is firmly rooted in history. Before his imprisonment he had already established himself as a leader and a master strategist. Throughout his imprisonment he has shown, through the occasional messages he has managed to smuggle and in his

rejection of the government's blandishments, that he has not lost his grasp of the political realities nor his commitment to the ideals so eloquently expressed at his trial. Winnie Mandela, rightly accorded a certain status as Mandela's wife, has also throughout this time been a symbol of resistance and of hope and has become more and more a leader in her own right; recently she has been the most telling spokesperson within the country.

There have been major changes in South Africa in recent years. I refer not to the scrapping of certain aspects of so-called 'petty apartheid' nor to the government's bungled attempt at 'reform' through the imposition of a new Constitution, but to the changes in the nature and extent of resistance. The events themselves bear witness to the truth of the claim being made by many South Africans that the present resistance is qualitatively different from anything that has happened before; though there is also, of course, continuity with a struggle that has been going on for 300 years. This resistance is being fuelled rather than quelled by the violence and brutality of the government's response and by the irrelevance of the 'concessions' which the government has been forced to make. People are sacrificing their lives not for the right to sit next to a white person on a park bench or even for the right to own their own house. They are dying for the right to have a major share in the running of their country and in the just distribution of its wealth. It is clear that they are determined not to be fobbed off with anything less. They realise, as Winnie Mandela says, 'Our suffering of today is absolutely nothing. We face a very, very grim future.'

As they struggle towards this future, it is not for outsiders to pass judgement on their strategy and tactics about which there are bound to be internal disputes. We can only support all attempts to overthrow the common enemy. At the very least, we can stop supporting that enemy, which is what all the major Western powers are doing in our name. Despite the hundreds of deaths and the thousands of arrests that have taken place since the declaration of a state of emergency, despite the evidence of the systematic ill-treatment and torture of those detained, despite South Africa's continued illegal extension of the apartheid system to Namibia, despite the calls of virtually all black leaders for sanctions, the UK and the US, in November 1985, once again vetoed the Security Council's proposal for mandatory sanctions, while socialist France abstained. Paying homage to Nelson and Winnie Mandela does not compensate for our complicity, even if only by default, in their persecution and in the oppression of all black South Africans.

Every struggle needs its heroes, heroines and martyrs and it is important that they be recognised. Nelson Mandela, as the citation for the award of the 1985 Third World Prize to him and Winnie Mandela says, 'is honoured wherever freedom and democracy are valued. Streets and buildings around the world have been named after him; so has a nuclear particle. Many cities have given him their freedom; numerous universities have conferred degrees on him.'

Since last month his statue adorns the South Bank in London'. But a civic authority, for example, does not absolve itself of its complicity with apartheid by erecting a statue in honour of Nelson Mandela while it continues to invest millions of pounds in South African-linked companies. Such an action, far from being an honour, is actually an insult to Nelson Mandela, since it separates him from the struggle which, as he said, 'is my life'. I am sure that he would prefer that they showed their solidarity by disinvesting from South Africa rather than simply basking in his reflected glory. We cannot live vicariously through the achievements of Winnie and Nelson Mandela nor can we allow our admiration for them to divert attention from our own society's unsavoury role in creating the conditions which necessitate such heroic resistance. Apartheid has only survived this long because of the support it has received from the West, even, perhaps especially, from those countries which are presently calling for 'reform'. Even their calls for Mandela's release have a hollow ring. You cannot really want the release of Mandela if you are also thwarting the process of change in South Africa which would lead not only to his release but to his election as Prime Minister.

Winnie Mandela writes that, 'At present it's irrelevant who helps the black man to get rid of the shackles of oppression.' But she is well aware that not all those who claim to be 'helping' are in fact doing so. She certainly has no illusions about the futility of dialogue within the present political structures or about the role of multinationals; hers is yet another voice calling for sanctions. Although it is a serious offence for a South African to advocate sanctions, she states quite categorically that multinational companies, which she describes as 'political criminals', must get out, because 'foreign companies have literally financed our oppression'.

Big business and their political allies, both within and outside South Africa, are making a concerted effort to promote reform as an alternative to radical change. They are concerned more about their own future than that of black South Africans. They are hoping for the best of both worlds: to salve their consciences and defuse criticism by getting rid of the most obvious iniquities of the apartheid system, but to continue to appropriate to themselves an undue proportion of the wealth. An essential tactic in this strategy is to co-opt sufficient blacks into the system to act as a buffer against the majority. In this they differ from the Nationalist government only in the composition of the middle class. The government has for long attempted to form a black bureaucratic middle class through the 'homeland' structure, while big business seeks to use its private capital to create an urban middle class of white-collar workers. Neither Nelson nor Winnie Mandela shows any sign of being taken in by either tactic. Mandela has consistently refused to be absorbed into the 'homeland' system even though this would have secured his release from prison many years ago; Winnie Mandela dismisses 'homeland' leader Chief Buthelezi as a 'political prostitute'. There is no danger of them selling out for the sake of a

huge salary and an official limousine. Neither is there any possibility of their being used as pawns by big business. Both had repeatedly made it clear that their freedom is inseparable from the freedom of all black South Africans. It is in the interests of both big business and the government to create divisions among the people.

It is these white-created divisions which lead to violent confrontations between different groups of black people. Such confrontations are not inter-black conflicts as they are often racialistically described both by the South African and the international media. They are confrontations between revolutionaries or freedom fighters and collaborators or 'sell-outs'. The fact that both are black is as irrelevant as the fact that the miners and the 'scabs' who clashed during the miners' strike in Britain were both white. Those who describe them in racial terms are either succumbing to South African government propaganda or revealing their own racism.

Both Winnie and Nelson Mandela remain committed to the non-racial democratic ideals of the Freedom Charter. 'Whatever adjustments have to be made will be made within that sacred document. It will be a socialist state—there is no other way of sorting out our starvation problems, the discrepancy between the population groups, the haves and the have-nots. Everyone will have a fair share of the wealth of this country' (p 123). She also suggests that while dialogue can only take place 'on the release of all our leaders in prison, all the banned people and the return of all our exiled leaders', these leaders may not perhaps be prepared to negotiate on the terms they were prepared to offer twenty years ago. 'The leadership would have to be involved in an entirely new kind of political thinking; perhaps a completely new basis for dialogue and negotiation' (p 128). Land, as she notes, is still the key issue as it has been throughout the history of South Africa and indeed of the whole of Africa. 'Our fight is simply the fight for our fatherland, dating back to the frontier war started by the British settlers' (p 127). It was by forcibly taking the land that the whites were able first to impose their dominance and then to exploit both it and its people. No black leader has ever expressed any intention or desire to drive the whites into the sea: the Freedom Charter declares 'That South Africa belongs to all who live in it, black and white'. But any just redistribution of wealth must necessarily entail relieving the white population of most of the 86.7 per cent of the land that they have appropriated to themselves. In a free South Africa, land might well be even more important that it is at present. It is quite possible that many Western countries which presently claim that they cannot impose sanctions against South Africa because of their dependence on its gold and other minerals will decide that they can do without these commodities from a predominantly black-ruled South Africa. The fight against the multinationals, which have managed to keep so many African states in a position of economic dependence, will have to continue long after political freedom has been gained.

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NORTH-SOUTH

▲ General Agreement on Tariffs and Trade (GATT)

Textiles Committee Meeting

Geneva, 3 April 1986

■ Representatives of textile exporting countries searched for common ground on the terms of extending the Multi-Fibre Arrangement (MFA), which had been introduced in 1974 and was due to expire on 31 July 1986.⁶⁶

Low-cost producing countries had theoretically coordinated their positions at a meeting in Beijing in March 1986.⁶⁷ They had agreed in principle to drop their demands for an immediate end to the MFA, which regulates their textile exports, and for a return to GATT rules from which the MFA derogates. Partly, perhaps, because a return to free trade might provoke a strong protectionist response in the industrialised countries, thus denying low-cost producers even the limited but assured access afforded them under the MFA, the representatives at Beijing conceded that the MFA could be extended for a further four to five years. This concession was, however, conditional on assurances from the industrialised countries that the renewed agreement would be substantially liberalised, and that it would be the last. Moreover, many low-cost producers were suggesting that linking acceptance of the agreement with cooperation over a new GATT round of Multilateral Trade Talks (MTNs) could secure better terms for the textile trade. There was also a genuine sense that the industrialised countries' attitude to relaxing import controls on textiles, which involved the first major industrialisation project in the developing countries, was an acid test of their attitude to GATT. If they were unwilling to liberalise trade in textiles, it seemed unlikely that a further round of MTNs would yield many benefits for the developing countries. It at least seemed necessary that trade in textiles, which constitutes one-tenth of world trade in general, should be settled before the new round was due to begin in September 1986. It was therefore possible that protracted disagreements over the extension of the MFA could jeopardise the schedule of the entire GATT round.

The attitudes of the textile importers varied. The US, far from agreeing to increased liberalisation, was urging tighter controls over 'destabilising' imports and unexpected 'export surges'. Its representatives also advocated the extension of the pact to cover silk, ramie and linen, in addition to the existing provisions for cotton, wool and synthetics. They wanted these controls to be accompanied by reciprocal efforts on the part of textile suppliers to open their own markets to US products, particularly 'competitive' fibres. Meanwhile, the US was in the process of concluding bilateral agreements with low-cost suppliers, to freeze their exports at current levels.

While the EEC representatives agreed with the US that the rate of growth of their imports should remain low, they paid lip-service to liberalisation and suggested that the existing quotas should be redistributed to leave exports from 'dominant' suppliers (such as Hong Kong, South Korea, Taiwan and Macao) constant, while increasing the proportionate quotas of poorer suppliers (such as Bangladesh, Pakistan and Sri Lanka). Developing countries greeted this suggestion with a certain degree of scepticism. Hostile to attempts to divide them into dominant and poor

Predicting Numeiri's downfall: publish and be praised

Peter Woodward

Sudan at the Crossroads

Charles Gurdon

Wisbech: Menas Press. 1984. 128 pp. £6.25

Nimeiri and the Revolution of Dis-May

Mansour Khalid

London: Routledge (for KPI International). 1985. np

The Sudan: A Second Challenge to Nationhood

Bona Malwal

New York: Thornton Books. 1985. np

During the last months of his regime writers of all kinds poured forth comment on the subject of Numeiri's Sudan and his possible downfall; they were like the vultures around the millions of dying animals in Sudan's drought-stricken regions. The three authors above, together with myself (Institute of Conflict Studies No. 173) all managed to publish relevant works before the downfall of Numeiri finally took place. It did not require great prescience to realise that the overthrow of one of Africa's longest survivors might finally be at hand, but for at least two writers there were other reasons than timeliness for wanting their views known before Numeiri fell. From 1971 until 1978 Mansour Khalid had been a prominent member of the various governments formed by Numeiri, including the post of Minister of Youth and Social Affairs, Ambassador to the UN, Foreign Minister, Minister of Education, and Presidential Adviser for Foreign Affairs and Coordination. Bona Malwal had been Minister of Culture and Information and a prominent member of the Politbureau of the ruling Sudan Socialist Union (SSU). Both had broken with Numeiri some years ago, and Bona had been detained for a year; nevertheless for men who are often considered, outside Sudan in particular, to have political futures as well as political pasts, some further denunciation could not come amiss.

In their different ways all three authors have the same message. Mansour and Gurdon express most clearly that there were in the 1970s seeds of hope, after which things turned very sour: while Bona concentrates on the latter phase, and especially the return to civil war in the South. Yet the manner of

presentation is markedly different. Gurdon's is a quite effective and concise descriptive study—essentially an extended piece of journalism and often written rather in the manner and depth of a special survey. Mansour's will probably be more widely read, partly because it has already been trailed with extracts in the Arabic press, but even more because it is full of stories about the Numeiri regime. There are many comments about Numeiri himself seeking to distract and fuel the Khartoum gossip-mongers and certainly this book too will keep them going for some time, though a number of the stories have already done the rounds, and Mansour is selective in leaving out many of those towards whom he is well favoured.

Yet when all is said and done it will be for the stories rather than the analysis that Mansour will be remembered, and indeed it can be questioned how far any of these works really go in examining the deep structural questions about Sudan, to which Numeiri sought different answers at different times, but all of which were at least as serious in 1985 as they had been when he came to power in 1969. Because the parliamentary periods and the rather static military regime of President Abboud had done little, many had hopes in 1969, or in the 1970s. Yet the manner of Numeiri's downfall, forced by mass demonstrations of hostility, was an expression of the determination with which the Sudanese wanted him to go, leaving all the major problems ultimately unresolved.

One of those major unresolved questions is the possibility of developing any kind of participatory democracy in that vast and heterogeneous country. Liberal democracy as practised from 1953 to 1958 and again from 1964 to 1969 was essentially about the manoeuvrings of parties and factions which commanded significant political followings. Not only the main sectarian-backed groups—sometimes divided against themselves as was the Umma Party from 1967–9—but the urban-based National Unionist Party (NUP), and coming up on the rails the Communist Party and the Muslim Brotherhood. Regional political forces were also growing in criticism and resentment, but unable to develop the backing and organisation to lay an effective claim to take part in the 'musical chairs' of parliamentary government, a situation which did much to contribute to the outbreak of civil war in the South. As for the successful politicians, some were driven by personal ambition, others by ideological commitment, while much of the competition for power was based on real or expected gains from participation in government. Socio-economically it reflected rather than developed the country and was thus increasingly seen as ideologically defensible but practically an unproductive form of government.

During his years in power, Numeiri represented many things, but none of them was that of being a liberal democrat. Mansour believes that it was precisely because he held no clear ideological position of his own that he was able to emerge as the leader of the Revolutionary Command Council established in 1969, but all were opposed to the liberal democracy they had overthrown and

Numeiri's personal leadership was never subsequently able to come to terms with the transience such a system necessarily implies.

So instead there were various forms of ideological guidance which Numeiri either encouraged or acquiesced in at different times (in Mansour's view always ultimately for pragmatic requirements of the moment); and a single political movement, the SSU. Yet these attempts too ran into Sudan's endless political sands, perhaps from the outset. For every ideological direction taken there was a counterweight ready to make itself felt and to use its influence even if no longer through a parliamentary medium. Thus the radicalism of the first two years, influenced in part by the Communists, was met by growing resentment in more overtly Islamic circles and in the South. The showdown with the left in July 1971 led to the 'technocratic' institution-building which so appealed to Mansour and others like him, but in turn earned the growing hostility of the old politicians. National Reconciliation in 1977 brought some of those leading figures, notably Sadiq al-Mahdi and Hasan al-Turabi, back into the fold but within the one-party framework which others still found unacceptable. The demise of that process by the early 1980s heralded Islamisation, which in turn helped alienate the South and end the achievement of peace a decade earlier.

While the ideological base of the presidential guidance went through various contortions, the main instrument of guidance, the SSU, typically found it hard to take root. It was not so much the core of the regime, as it was alleged to be, but an addendum, an offshoot of a military regime designed to give legitimacy and support, but in practice becoming a haven for careerists and opportunists and criticised even by the President himself.

If Sudan can neither accommodate liberal democracy, because of the inevitable inertia within the system, nor commit itself to ideologically acceptable popular guidance, is the alternative some form of autocracy? It is easy enough to point out that at its best Sudan has been governed as a flexible and adaptable autocracy—by Egypt until the Khedive Ismail's problems helped the rise of Mahdism, by the Khalifa Abdallahi, and by the British during the Anglo-Egyptian condominium. Even Numeiri's most stable years, from July 1976 to the end of the decade, were those when he was at his most flexible, and before the weakness in the economy was to become fully apparent. But the most current memory is of his recent oppressive autocracy—of what many Sudanese saw as the abuse of Islam, not only in the manner of imposing Islamic law but Numeiri's own claim to be Imam. In the circumstances of Numeiri's downfall Mansour puts as much faith in a return to parliamentary government as any other system while hoping that the parties will have learned their lesson, adding ominously 'although one has a lurking suspicion that they have not'. Officially this is the aim of the Transitional Military Council which overthrew Numeiri as well.

A second general question which arises, especially from Mansour's book, is the problem of institutionalisation in Sudan. At the time when Mansour and his

fellow 'technocrats' were most involved in government, much of the justification for their work lay in the shortcomings of the previous system and the need instead to build institutions, preferably with a degree of popular support. The limitations of the SSU have already been touched on but Mansour gives at least as much attention to the making of Sudan's first permanent constitution. It was not intended to give unbridled presidential powers but it did centre around an executive president, and Mansour and others frequently lauded President Numeiri with the justification that it was the office rather than the man that they sought to promote. Yet in the wake of the recent discussion of personal rule in Africa, with Numeiri hailed by Jackson and Rosberg as a prime example of a Machiavellian Prince (R Jackson and C Rosberg, *Personal Rule in Black Africa*, 1982), Numeiri must have felt that he scarcely needed enemies when he had respected friends like Mansour to shower praise upon him. Was it really so surprising then that when faced by a serious coup attempt in 1975 Numeiri should abrogate more powers under the constitution than its designers originally intended? Mansour, an author of the original constitution, deplors this tendency, and its subsequent decline into the manner in which Islamic law was introduced and Numeiri's claim to be Imam. But where were the institutions to check him?

The SSU clearly could be cut down if and when it threatened; and only belatedly did the National Assembly assert itself, when Southerners in particular rejected constitutional amendments concerned with *sharia* (Islamic law). If Numeiri's personal rule undermined the building of civilian institutions, it might at least have led to the growth of an effective security apparatus, and army, but even this did not happen. Civil security did grow and with it the political arrests. It was most unpopular, and after Numeiri, was the main casualty of his overthrow, with the Transitional Military Council being forced by the civilian revolutions to take action after initial hesitancy at turning on their former colleagues. Yet in comparative terms, when one thinks of domestic security in neighbouring Egypt, Uganda or Ethiopia, the yoke the Sudanese bore was very light. And while some sadists can be found in all societies there are reports that indicate that some security men shared the distaste of most civilians for some of what they were supposed to do. (One former political prisoner friend in many ways suffered less during his incarceration for two years in Korbar prison than a student I tutored in Reading Gaol.) Clearly the credit for this owes much more to the mores of Sudanese society than to the leniency of Numeiri, but it is an indication of the difficulties of institutionalisation, even of repression.

The army too finished weaker rather than stronger. The numerous attempted coups of the early years were contained, at least in terms of importance, partly by increased military security and partly by repeated purges of the officer corps. As Mansour expatiates, there was also a growing distraction in the form of money-making activities in the military corporations.

All this may have served to keep the army quiet, but it did not increase its military capacity, which the growing civil war in the South was to put to the test. Indeed when the army commander Siwar al-Dhahab did finally act in April 1985 it seemed almost to be with reluctance, and more out of fear of the consequences of allowing Numeiri to return from Cairo than a positive wish to see him overthrown. Small wonder many soon argued that Numeiri's regime lived on, though now bereft of the personal ruler himself and headed by men whose eschewing of political ambition hitherto had been central to their survival and promotion in the armed forces.

If institution-building held few successes then nor did economic development either, though here too there were high hopes and considerable efforts. Gurdon is particularly clear in describing the slide from optimism about transforming Sudan into the bread-basket of the Middle East, into a debt of \$9 billion less than a decade later. Once again Mansour provides the stories especially with regard to the influence of Adnan Khashoggi (AK) and his Triad company. The tales told here are both appalling and believable, but once again Mansour is selective. Apart from AK, the only other person reputed to have immediate access to Numeiri was Tiny Rowland, who does not even get a mention here. Were Lonrho's methods of operation so very different to the vicious corruption depicted here, not only in respect of AK? The AK-Rowland combination was indeed working until the end, as they sought at the end of 1984 to bring peace with the Sudan Popular Liberation Movement which might even then have saved Numeiri. But not even Rowland's influence with President Arap Moi of Kenya (where SPLM leader John Garang has an office) was enough to make this unlikely initiative come to fruition. (Mansour himself was also to be involved in unsuccessful shuttle diplomacy, together with Khalil Osman, Rowland's former colleague in Lonrho.)

But again the more basic issue of Sudan's economy is never directly addressed. It was in essence a typical neo-colonial economy centred on cotton, around which Sudan's long-standing penchant for mercantilist trade also prospered. Internally it was essentially regional, favouring the central and eastern areas of the country, increasingly at the expense of the south and the west. The big schemes planned for the 1970s were largely concerned to expand or re-direct that external dependence, especially with regard to agricultural markets in the Middle East. Some schemes succeeded, but at a very high price, as with the Kenana sugar plantation inspired initially by Rowland; others only partially worked, as with the textile factories; and others never worked at all, including, sadly, the brewery at Wau. (Development inevitably involves value judgements and I personally will acknowledge that the Sudan is developing when beer from Wau is being sold *throughout* the country.) But the big schemes of the central Sudan, of which Mansour was particularly in favour, not only helped the debt to grow, but also drew able-bodied labour, especially from the west. The present famine and suffering in that area in particular is the result

not only of population growth, over-grazing, desertification, poor rainfall etc. but also of political neglect, and the domestic economic peripheralisation and exploitation to which it has been increasingly subjected. Small wonder a sense of regionalism has been growing there, as well as in the South.

In all, Sudan's economy under Numeiri had failed either to achieve sustained growth, or to rid itself of its 'dependent' character. The former failures reflected not only the corruption, but the manifold inadequacy of the state to plan and manage large-scale development, or to promote small-scale activities. As for dependence, when the will to escape may have been present, from 1969 to 1971, there was not the capacity to achieve it adequately, with only an ineffective nationalisation policy to show for it. Dependence on the West and the conservative Arab states provided the necessity for 'pragmatism' to help a weak regime to survive; and the growing world recession also contributed to Sudan's failure to begin to realise its undoubted potential.

The South, and the breakdown of peace there, is the main concern of Bona Malwal, but disappointingly he tells us little new. Mansour too is less revealing on the region, especially the return to civil war, and it is left to Gurdon to chart the decline into conflict once more. But all essentially regard it as an area in which peace had been restored following an unfortunate civil war, rather than, as history might suggest, a region in which war has been re-started following a desirable but nonetheless unusual period of peace. Not that one should think that war in the South, or between 'the North' and 'the South' is inevitable, rather the development of the state itself contributed much to a situation in which, since it was first carved out in approximately its present frontiers in the 1820s by the Turco-Egyptians, there has only been sustained peace for two periods of any length—from the late 1920s, when the British had finally cowered the Nilotics by force until the late 1950s, and from 1972 to 1982. Clearly this colonial background suggests factors other than simply 'Arab' and 'African' or 'Muslim' and 'non-Muslim' in the development of conflict including in part the state itself.

The Turco-Egyptian state regarded the South as an area for crude exploitation. The whole initial invasion had largely been to obtain men for the army, so far as Mehemet Ali was concerned, and it became apparent that the further south one went, the easier this was to achieve. The initial exploitation of the South had been largely for other exports, most notably ivory for which there was a growing international market, but the state itself finished up by rewarding its agents less with salaries than with the human merchandise which in one way or another they could acquire. It was less the content of the nineteenth-century confrontation, i.e. Muslim and non-Muslim, than the exploitative manner of it which became a part of the mythology of the South. The Mahdist state often had problems of a core-periphery character, and conflict in the South remained the rule rather than the exception. British rule was less concerned with exploitation than pacification but considerable

violence was required to bring that about and then the very lack of ready opportunities for exploitation by a colonial economy left the region largely on a care and maintenance basis. In contrast the northern Sudan did increase its colonial-style economy, essential amongst other things for the financing of the state itself, and its own strong indigenous trading instincts also found an opportunity to operate in the South as *jallaba*, small merchants. Only after World War II was there a belated and unsuccessful effort by the British to develop the South, and encourage its political expression.

Indeed the post-independence period has been largely concerned with correcting the deep structural imbalance, but predominantly by political accommodation, rather than socio-economic change. As Mansour points out it was political redress which was offered at Addis Ababa, but even there he suggests, it was largely to bolster President Numeiri's own political position, rather than to begin any deeper reconstruction. Indeed when, after a decade of further relative economic neglect of the region, that seemed possible with discovery of oil, Numeiri, according to Mansour, once more put the needs of his underdeveloped economy ahead of well-justified Southern claims and in doing so contributed to regional resentment and conflict; once more, in essence, over the demands of the state, as interpreted by its personal ruler, on the region. A new peace settlement will be more complex than that achieved at Addis Ababa, if only because it will have to go more fully into the economics of regionalism than that agreement has done.

The issue of regional government in the north, which Mansour saw largely as a further presidential device to give the semblance rather than substance of a deconcentration of power, will also raise very tricky constitutional questions.

The last throw of Numeiri's regime, and thus of much concern to writings predicting his imminent downfall, was the turn to Islam and the introduction of a harsh *sharia* code. Bona sees it as a further major slight to the Southerners who basically have to concern themselves with the principles of a secular state so long effectively, though not without challenge, the situation in Sudan. Mansour makes great play with what to him, and many others, was essentially a perversion of Islam, especially when Numeiri decided that he was to be Imam, and expected others to recognise his newly acquired spiritual as well as political leadership through giving *baya*. For Gurdon it showed signs of a surprising ineptitude, especially with regard to the South, though if one does see it as having been in essence an attempt at opportunism, especially to outflank the Muslim Brothers, then one must remember that whatever the significance of the regions, regimes are ultimately made and unmade in Khartoum which had therefore to have first priority.

But the issue of *sharia* also brought into the open, perhaps never to be easily resolved, the question of Islam in Sudan. The quiet political influence of the *sufi* sects has long been known, and, as Mansour illustrates, Numeiri encouraged a number of the smaller ones during his years. The Mahdists too

are a well-known factor of an inherently political character. In more recent years the Muslim Brothers and the Socialist Republicans have claimed to represent more 'modern' interpretations of Islam. Yet all also indicate the divisive quality in political life which Islam can generate, as well as the problems with the non-Muslim communities. There is nothing unique to Islam in this, though it is a particularly 'political' religion, nor is it a problem unique to Sudan, but it does indicate that Numeiri opened up a Pandora's Box; and that the future of such issues as the place of Islam in the constitution is not simply a matter of Muslim-non-Muslim relations.

Numeiri thus left Sudan in far worse shape than he took it over and he bequeathed his successors the biggest crisis the country has known in almost thirty years of independence: debt, economic decay, famine, civil war, and an absence of any adequate institutions with which to tackle the problems. For the moment the army is in charge, though so far it has given little ground for confidence, and while the intelligentsia and the unions largely back the Alliance which led Numeiri's overthrow and supports the civilian cabinet, the political parties prepare to compete for power through the ballot box in April 1986. Where does that leave the Bona Malwals and the Mansour Khalids, so often spoken of outside Sudan? Mansour may have inadvertently supplied their epitaph when he writes that 'People should never count on politicians who lack their own constituency. The only means for the political survival of such politicians must always be competing for the favour of the man at the top. When such a man is neither guided by history nor motivated by a higher purpose he will always end up surrounding himself with obsequious sycophants fawning on him.'

Rethinking crisis and social change: some recent studies of Latin America

Colin Henfrey

Scheming for the Poor: The Politics of Redistribution in Latin America

William Ascher

Cambridge, Mass. and London: Harvard University Press 1984. 348pp. np

Peru: Paths to Poverty

Michael Reid

London: Latin America Bureau. 1984. 130pp. £2.95

Chile: The Pinochet Decade

Phil O'Brien and Jackie Roddick

London: Latin America Bureau. 1983. 118pp. £2.95

Rebellion in the Veins: Political Struggle in Bolivia 1952-82

James Dunkerley

London: Verso Editions. 1984. 385pp. £5.95

Garrison Guatemala

George Black, with Milton Jamail and Stoltz Chinchilla

London: Zed Books. 1984. 202pp. np

Politics and Dependency in the Third World: The Case of Latin America

Ronaldo Munck

Zed Books. 1984. 374pp. np

With Latin America so much in the news, these books are just a sample of dozens on its current traumas of social conflict, the debt and redemocratisation. Unlike the traditionally generalising 'Whither Latin America?' genre, many of these deal with single countries. This shows a new sensitivity to variations within the region. With it there are new questions to answer. What underlies the diversity? What different prospects does it suggest? And what unities remain within it?

One is the impact of the Depression on economies so heavily concentrated on the export of primary products. Yet these studies show that even this has diverse and sometimes dynamic outcomes. In the 1930s and 1940s most smaller

Latin American countries stagnated economically, under harshly authoritarian rule: those better endowed with natural resources and potential internal markets industrialised significantly and redemocratised in the 1940s. From this contrast emerged a new common theme: as growth declined (because it excluded the bulk of the rural population) it fell to two of the smaller countries, Bolivia and Guatemala, to pioneer the agrarian reforms from which a regional model for change emerged in the 1950s–1960s. This was ‘inward-directed’ development. Devised by ECLA (United Nations Economic Commission for Latin America) and promoted by a ‘new generation’ of leaders, planners and entrepreneurs, this was expected to foster more equitable, even growth and stable democratic systems.

Guatemala first challenged this optimism. As *Garrison Guatemala* reminds us, its elected reformists were overthrown with US assistance as early as 1954, foreshadowing Latin America’s future. *Rebellion in the Veins* describes Bolivia’s more gradual reversal of hopes for growth with redistribution, culminating in the 1960s. In the wings was another ‘new generation’ with a very different development model. Its tenor is conveyed by these books’ illustrations. On the cover of *The Pinochet Decade* is the one dictator apparently immune to the current wave of democratisation: pictured twice, once braided and once pin-striped, he epitomises the integration of civil society and the military in Latin America since the 1960s. Above all in Central America: bull-necked in battle fatigues on the cover of *Garrison Guatemala* is General-cum-President Oscar Humberto Mejia. Some of the illustrations convey what these regimes have meant for others. In *Peru—Paths to Poverty* an Indian humps the same outsize burden as generations of his ancestors, as if human labour were still so cheap that the wheel had not yet been invented. In *Garrison Guatemala* a lone peasant stands in a cemetery among rough wooden crosses marking the graves of the victims of Central America’s conflicts. It is not surprising that these new studies, as well as being less generalised, are less optimistic and predictive than those which once dealt in ‘Latin America—reformism or revolution?’.

Ascher’s *Scheming for the Poor* assesses the relative success of three distinct political styles in bringing about redistribution in Argentina, Peru and Chile. These are ‘populism’, ‘gradual reform’ and ‘radicalism’. They are typified respectively by Peron in the 1940s–1950s; Chile’s Christian Democratic President Frei, with his ECLA-type programmes in the 1960s; and his socialist successor, Allende, together with Peru’s radical nationalist, General Velasco. Ascher’s sensible question is this: eschewing ideology and scrutinising the evidence, which style does most for tangible social progress in Latin America, and why? He contends that the ‘gradual reformists’, with their lower profiles, are potentially the most effective; but what he stresses even more is political strategy and tactics.

By this he means building class coalitions in pursuit of incremental change.

The early Peron was the 'Machiavellian master' of this art; he succeeded in shifting resources from the agro-export oligarchy to industrialists as well as urban workers, without wholly undermining the oligarchy or losing control to organised labour. The sharpest contrast, in Ascher's view, is with the 'radical' Allende, doomed by his inability to disguise his lack of pluralism: even Frei is seen as lacking the skills to prevent his reforms from being imputed to sectional rather than general interests. Nor are popular loyalties easily won, since the redistributive effects of agrarian and wage reforms in such social structures are ambivalent: in Peru and Chile the beneficiaries, as tenants and those with formal employment, were typically just above the average income, while the rich passed their losses to the poorest, through disinvestment and the black market. Yet Ascher remains quite optimistic. The new technification and centralisation of the modern Latin American state do, he insists, now afford scope for redistributive policies, if only progressives would pursue them pragmatically, without demagoguery.

The other authors considered here would reject this positivistic view of social change as managerial and endangered by mass mobilisation. For example, though Munck shares Ascher's comparative perspective, he takes dependency and 'class struggle' as the keys to social change in the region. As these books show, such radicalism has long been the intellectual fashion; but one must indeed ask, as Ascher does, if this approach, and the factors which it emphasises, address the questions of what can be done, and above all, how, for purposes of substantive change in Latin America today. It is not such questions, but Ascher's answers which are unconvincing. Most obviously, his 'masterful' policymaking (more 'mistressful' in Peron's case) has not in itself assured any lasting redistribution of wealth or income. Where this has occurred and moreover endured in the Third World, it is less where elites have 'schemed for the poor' than where it has been possible for the poor themselves to win and defend it.

Ascher's blind spot is his merely pragmatic, depoliticised, notion of change. For instance, Cuba supports his case that real change necessitates tactical skills, but strictly *within* a political process. At issue here are the very elements of Ascher's liberal political science: this lacks appropriate concepts for dynamic social processes, as distinct from policy implementation. He is right to argue that most radical accounts of Latin America have failed to engage with substantive issues, yet his own behaviourist teleology, with master-men leading to 'modernisation', is just not equipped to be substantive. Peronism, for instance, was not just Peron, nor even Evita, but a whole complex of economic, social and political forces; and these were neither inert nor local, but both past and present, internal and external. Ascher's liberalism comes hardly closer than the most abstract of Marxist concepts to the structures and flow of Latin American social histories, with their popular—not just 'mass'—politics, and their *interplay with the external*.

Slim as they are, the 'Special Briefs' produced by the Latin America Bureau are much more wide-ranging. These sensibly priced paperbacks are designed as background information which, in *Peru: Paths to Poverty* and *Chile: The Pinochet Decade*, updates two of the countries covered by Ascher. Each starts with a handy factual resumé, then sketches the historical background and deals with recent events more fully. Elsewhere in this series sustained polemics on US foreign policy over-accentuate the externals; but in these two volumes one gets a clear sense of the politics neglected by Ascher being shaped by particular internal as well as the common external factors.

For Peru the overburdened Indian is an appropriate cover image. Like Guatemala, but unlike Mexico or Bolivia, Peru never had the revolution which would have involved a largely Indian as much as peasant underclass. This indigenous factor was recognised in the 1920s by the then nascent Communist Party and also by its rival, APRA, the Revolutionary Popular Alliance. Yet both failed to undermine the rule of the landed and commercial oligarchy, for want of any effective bridge between their coastal urban bases and the oppressed Sierra Indians. The changes subsequently effected by limited industrialisation were within this two-dimensional mould, controlled by and catering for the few, and particularly the foreign. In the 1970s neither the wave of nationalisations by the military radical Velasco nor his agrarian reforms could incorporate the underclass, now increasingly urban, which this structure had so long marginalised and its politics never represented. Yet contrary to Ascher's argument, it was less Velasco's radicalism than the consequent US destabilisation of Peru's dependent economy which renewed its crisis. In thrall to IMF orthodoxies, Velasco's non-radical successors, first military and then civilian, re-exposed Peru to the full blast of international recession. At the time of writing by Michael Reid, Lima correspondent for *The Guardian* (London), there was formal employment for under a third of the would-be working population; and 40 per cent earned less than one-sixth of the falling per capita average income. Hence the space afforded by recent redemocratisation to even the Shining Path Maoist guerrillas (the *Sendero Luminoso*), whose sense of their target is no more precise or original than the familiar 'imperialism and Peruvian semi-feudalism'. The more tangible oppressors, at whom their Indian followers hurl Coke-can grenades, remain the 'mistis', of which 'honky' would be a fair translation—the Conquistadores and their modern descendants, including the APRA, now ruling a country so little changed by military rule or redemocratisation. The case for radically rethinking available prescriptions for change in the light of actual structures and histories could not be more vividly illustrated.

Chile's distinctness is almost the opposite of Peru's. However bitter its recent experience, it does have an underlying direction, which is well conveyed in the twin volume by O'Brien and Roddick. What Presidents Frei and Allende shared was not mismanagement, as Ascher would have it, but the opportunities

and constraints ensuing from Chile's distinctive structural history. In this heavily mining economy, with a well-defined proletariat and coherently left-wing political parties, the Depression produced a unique mass movement resulting in a Popular Front government and state-led industrialisation. This movement ebbed, but never waned. It was this which swept centrist Frei aside and socialist Allende to power, prompting concerted ruling class and massive US destabilisation. The account of Pinochet's decade by O'Brien and Roddick is more than a briefing. They demonstrate the internal roots of the anti-Popular Unity movement, as well as the US backing for it. They then unravel the fascism and monetarism behind the junta. In arguing that monetarism ruled, they achieve a convincing synthesis of the economic and political details of ten bloody years under Pinochet. Assigning the brutalities to an appendix on human rights, they concentrate on the growing resistance. It is this, with its historical depth, which underlies their optimism. Out of the ashes, they insist, a new working class is being born, to lead a popular movement with flexible socialist horizons. 'The message of Chile is not very different from that of Poland. People want to determine their own futures. . . . If they are strong enough, and determined enough, over a long period of time, then ultimately they will win.'

Dunkerley's study of Bolivia provides a similar example of where Marxist analysis still looks, in Latin America as elsewhere, for its models and motors of social change. This, in obvious contrast to Ascher, is to popular (understood as 'class') movements led by 'workers' (or increasingly specifically, by 'the working class' or 'proletariat'): this is the central radical convention which needs examining rigorously in the light of such particular, if similarly oppressive, histories.

In *Rebellion in the Veins* the Marxist canons command attention as the conclusion to a comprehensive and scholarly account of the generation of political history since the 1952 revolution. By then the once prosperous Bolivia had been well and truly underdeveloped: its only significant export was the tin controlled by three local families, while the Indian mass of the population was subjected by the landed oligarchy to what Dunkerley describes as a combination of apartheid and semi-feudalism. Hence the radicalism and the limitations of the 1952 revolution, when a popular insurrection gave power to the MNR, the National Revolutionary Movement; this had previously been elected but banned from power by the military. With a radical middle-class leadership and a popular following of miners and peasants, it replaced the army with popular militias; it nationalised tin, and in theory established 'joint government' with the trades union confederation; and based an agrarian reform on peasant's seizures of backward estates in the densely occupied Altiplano. But inexorably, contradictions emerged between this political precociousness and the country's economic frailty. Keeping afloat meant selling tin and, as prices fell, loans to balance the budget: as a result, the

economy was soon virtually planned by the IMF and US advisors. As wages and social conditions declined, the MNR's popularity waned and the strongly politicised miners led widespread protests. A new standing army replaced the militias, and a coup in 1964 ended the decade of democracy and began nearly twenty years of military rule. Based partly on peasant clientelism, and supported by neighbouring dictatorships in Argentina, Brazil and Chile, this was fuelled by oil and agribusiness, including the generals' cocaine production. As this socially regressive growth ended amidst recession and fresh protests, much of the political left was fragmented by imported blueprint divergences between Trotskyists, Maoists and the Communist Party; but in 1982 enough of it was reunited in the UDP, the Popular Democratic Union, to re-elect as President the more radical of the traditional MNR leaders, Hernan Siles. Writing soon afterwards, Dunkerley doubted if such a 'reformist' administration could avoid being crushed between the economic restraints and the popular pressures; its subsequent instability has borne out this prediction.

As to alternatives, his conclusion echoes O'Brien's and Roddick's, though in more explicitly Trotskyist terms. In 'a country condemned to continuous backwardness in a process of combined and uneven development', Bolivia's recent history has involved 'the highest degree of proletarian politicisation within a broad Leninist idiom. . . . The fear that the (UDP) government will only lead to a brutal reimposition of a military mandate clearly cannot be discounted. But what is certain is that a further alternative—a mass political movement for socialism—has acquired exceptionally strong roots and remains a vital possibility'.

Like the 'message of Chile' from O'Brien and Roddick ('ultimately they will win'), this conclusion is hard to question without risking one's socialist credentials. The fact is, though, that such optimism is much less demonstrably founded on the substance of these particular histories than on the observers' teleology and formulations of history in general. Despite pin-pointing the particularities of Bolivia's modern political history, Dunkerley seems little inclined to make critical enquiries of it. Its turning points are not examined to substantiate, or better still, to test the Trotskyist trajectory to which it is all reduced in conclusion. For instance, should the mining proletariat, never numbering over 50,000, be cast as such an exclusive subject of a popular history still consisting so overwhelmingly of peasants? Especially for Third World societies this opens a whole new set of questions not only about non-'proletarians', but about coordinates other than class and potential options for social change precluded by static Marxisms' narrow, and yet diffuse, horizons. If all depends on 'proletarian politicisation', what 'vital possibility' is there for what kind of 'political movement' for 'socialism' in what sense, in Bolivia's historical conditions? Persistent 'peasantness' in the Third World is central to these substantive issues of agents and trajectories of change

which Bolivia's story constantly raises: yet Dunkerley's end-vision overrides them, despite his careful and skilled narration.

This case for inductive analysis is strengthened by Guatemala's experience. Since the 1954 overthrow of its reforming government, the country has been closer than even its Central American neighbours to a state of virtual civil war, made all the more significant by its proximity to Mexico and its rich natural resources, both land and oil. Over thirty years these have made for particularly predatory and brutal authoritarian regimes. At first civilian then military, they have been equally habituated to terrorising the mainly Indian peasantry and seizing its land for speculation.

Garrison Guatemala's radicalism is sometimes more rancorous than thoughtful, and its assertions at times abrupt. For instance, the lack of a political centre is an impression often created by Central America's political violence, but not the constant which George Black makes it, even in Guatemala's case. This book's real strength as a study of change is in spotlighting the heart of the matter, in the development 'from below' of a deeply indigenous popular resistance, in the peasant highlands, the coastal plantations, and the growing urban slums and work force. This follows a first, introductory part on 'the monopoly of power'—the paramilitary white terror imposed publicly by the ruling class in the years after 1954; its use as a means of control and expansion in the agribusiness and oil booms; and the direct military assumption of power in the late 1970s to suppress the growing resistance movement. Part two charts this growth—its roots in the structures of exploitation and increasingly in the sheer repression wreaked on the civilian population; and its political coordination, rather than any blueprint direction. Both were comparable to but more complex than those of Sandinista Nicaragua. In the 1960s–1970s both electoral and guerrilla failures helped to dissolve fixed oppositions and formulae on the political left. There ensued in effect a division of revolutionary labour between groups emphasising and working in different regions and social sectors, urban and rural, Indian, peasant and proletarian—sectors which were themselves converging through the maelstrom of dispossession and change in the 'dependent development' model.

In Guatemala, unlike Bolivia, this process expanded especially harshly into the heavily populated, peasant and Indian Central Highlands. It is above all their ethnicity, so woven from centuries of oppression and resistance, which has motored this people's mobilisation—it was clearly as Indian communities that whole villages took the awesome step, for those with only peasant resources, of physically resisting a national army. This was channelled into a national popular rather than just ethnic framework by the seemingly autonomous politicisation (though the Church was also a major influence) of both the rural and urban unions. In the 1970s these were steadily reinforced from the centre and prepared for clandestinity by the generals' erasure of civi

rights in the name of their counter-insurgency programme. Increasingly rooted in this popular movement and united by their awareness of it, the insurrectionary left became the heir to this situation. The Vietnamese parallels are striking: as Black observes, the US is the prisoner as much as the master of the monster spawned by its 1954 intervention.

Politics and Dependency is complementary to these case studies, as an overview and application of theories of change in Latin America. The theories themselves are a well-trodden subject: Ronaldo Munck's two opening chapters on 'dependency and modes of production' and 'capitalism and imperialism' follow closely in other writers' footsteps.¹ His claim to originality here is 'dependent reproduction', a concept designed to bridge the external connotations of dependency and internal ones of modes of production: by it he means that Latin American economies are too reliant on external markets and on importing key means of production to sustain their own capital accumulation or develop fully capitalist relations. The unity of Latin America lies in the consequent contradictions; these vary between three types or stages of 'dependent reproduction' and class struggles within them. What distinguishes this from similarly abstract, economic and seemingly fatalistic schemes by others such as Amin and De Janvry,² can only be judged by its application. Part two on 'class' begins with another overview of class theories from Marx to Gramsci and Thompson, concluding that classes exist through 'struggle', are weak yet complex in Third World societies, and that other concepts like race and gender cannot be reduced to class. These, too, are standard generalisations. What follows, though, suggests how much harder they are to practise than to preach: a catalogue of the region's classes, from 'bourgeois fractions' to 'marginal' ones, is succeeded by separate chapters on women in Latin America, on urban labour in Brazil and Argentina, and on peasants in Chile as an instance of 'rural social movements'. Then in part three, on 'politics', there are separate chapters on post-1930 state and capital in Brazil, and on 'comprador', 'nationalist', 'military' and 'socialist' regimes, each illustrated by a country or region.

Whilst this is a solid compendium of existing literature and approaches, it does less to distinguish critically or develop or practically apply them in the stated terms of 'class analysis'. Munck's use of theory comes down mainly to the production of typologies, concluding in a triple one of 'state forms'—oligarchic, populist and military—which is scarcely novel nor quite clearly related to the earlier typologies, of regimes and 'dependent reproduction'. Nor

¹ Notably those of the following. Ian Roxborough, *Theories of Underdevelopment*, London: Macmillan, 1979; Anthony Brewer, *Marxist Theories of Imperialism*, London: Routledge and Kegan Paul, 1980; and Ronald Chilcote (ed), *Dependency and Marxism*, Boulder, Colorado: Westview Press, 1982.

² Alain de Janvry, *The Agrarian Question and Reformism in Latin America*, Baltimore: The Johns Hopkins Press, 1981; Samir Amin, *Accumulation on a World Scale*, New York: Monthly Review Press, 1974.

is it clear how specific class struggles relate to these types, the typing being in terms of external economic and elite relations, not internal class ones. There is a real problem of how to structure such a comparative study of change, but this could be resolved by thinking through and pursuing concepts clearly prioritised as central: 'classness' understood as relations, as process, as interwoven with ethnicity and so on, would not, for instance, mean separating the study of urban labour in Brazil from that of state and capital, nor beginning the latter in 1930—an essentially institutional date, which uproots the capital-labour relations of industrial accumulation from their formative roots in plantation and immigrant Brazil, and the reproduction of non-capitalist realisations from its texturing by local ethnic history.

True, any such analysis will raise more questions than it can answer, both general and particular—from the balance between the Thompsonian 'making' of classes and sheer capital's restructuring effects, to the trajectories and outcomes of change. On these, though, honest uncertainty again seems more substantive, and by no means less political than Munck's standard concluding Marxist choice between incomplete dependent bourgeois or united socialist revolutions. Once again, do such preordained yet vague horizons, however comforting, bring us truly closer to the world around us, and thus to the tasks of substantively changing it? Do we want 'theory' (by which its original Greek users meant 'observation') to be about classifying or explaining? Confirming answers, or making enquiries? The alternative conclusions to the radical conventions of the generalisers among these authors are that theories and concepts of social change are not intellectually revealed, but made by histories, increasingly those of popular struggles, and should therefore be deduced from them; and that many relevant to the Third World, and perhaps to the First, are still in the making.

Global Problems without solutions?

Robert A Mortimer

Structural Conflict: The Third World Against Global Liberalism

Stephen D Krasner

Berkeley: University of California Press, 1985. 363pp. \$8.95pb

The Non-Aligned, the UN and the Superpowers

Richard L. Jackson

New York: Praeger, 1983. 315pp. np

US Foreign Policy and the Third World: Agenda 1985-86

Edited by John W Sewell, Richard E Feinberg, and Valeriana Kallab

New Brunswick and Oxford: Transaction Books, 1985. 238pp. np

*Is the conflict between North and South irresolvable? Yes, if one is to accept the analysis of Stephen Krasner in his thought-provoking book, *Structural Conflict*. Krasner argues that the current debate over a new international economic order is not primarily about economics but about power. 'Outlandish disparities in power' (p 13) make Third World states politically vulnerable and insecure; they seek to mitigate this vulnerability by proposing changes that the North will not (and according to Krasner should not) accept. As the developing states will continue to attack the existing regime, Krasner concludes, 'North-South conflict will be an enduring characteristic of the international system. There are some problems for which there are no solutions' (p 314).*

North-South relations is a problem without solution for Krasner because it involves basically irreconcilable interests. The Overseas Development Council (ODC), a policy analysis organisation in Washington DC does not share Krasner's bleak view. For over a decade, the ODC has been publishing a periodic volume on US-Third World relations. Indeed Krasner identifies John Sewell, president of the ODC and co-editor of the current *Agenda*, as one of the 'reformist liberals' (p 25) who has argued for a more forthcoming American policy toward the Third World on the mistaken assumption that economic growth in the South will eliminate the basic source of conflict. *Agenda 1985-86* continues to assume that the US can pursue policies that will help to solve the problems of development.

Krasner attributes what success the Third World has had in challenging the North to organisations like the Nonaligned Movement (NAM) that have exploited their access to international organisations to effect some changes in

the existing order. Yet the North could simply abandon the UN if it wished to deprive the South of this base of operations. Krasner observes sardonically that UN headquarters in New York are 'coming to resemble the Guantánamo Naval Base in Cuba. Both are an affront to the principles and norms of the territories that surround them and both are vestiges of past power configurations' (p 299).

Richard Jackson is a US diplomat who has served at Guantánamo on Turtle Bay. He is keenly aware of how the non-aligned have used their numerical majority to control the agenda in the UN. Yet he believes that it would be a grave error for the US to exercise what Krasner calls 'the option of exit' (p 301). His book amply reflects his discomfort with the influence of such states as Algeria and Cuba within the NAM, but his goal is to outline an American policy that would 'ease the present sterile confrontation' (p 259). Like the ODC, Jackson does not despair of the possibility of finding solutions to the problems of US-Third World relations.

Of these three books on North-South relations, Krasner's is the most theoretically self-conscious. Employing the framework of recent academic writing on regime theory,¹ his analysis is conceptually sophisticated and intellectually challenging. His argument that the Third World is responding to structural inequalities in the distribution of power is well taken; he is right that the NIEO is fundamentally an effort to compensate for structural weakness. The theoretical argument is impressive. Whether it leads to the policy prescriptions with which he concludes can be considered by examining his study in conjunction with the work of Jackson and the ODC authors. This trio of books by an academic, a policymaker, and a lobbying group provides an interesting range of American thinking on North-South relations.

Krasner's subtitle, 'The Third World against global liberalism', succinctly conveys his major theme. The North has established a global economic regime dominated by the liberal norm of market allocation. Market regimes allocate resources in accordance with endowments, ie they favour the strong. What the weak prefer are 'more authoritative as opposed to more market-oriented modes of allocation' (p 5), i.e. allocation by political authorities rather than private actors. Authoritative regimes provide greater control and security to hard-pressed developing countries than market regimes. Third World states thus seek to limit the market power of the North by extending state control to embrace a broader domain of economic activity (such as commodity prices, multinational corporations, or seabed mining) than under the prevailing liberal norms. It is because the Third World is against liberalism that its challenge can not be resolved by mere economic growth. The South wants to change the rules of allocation, the basic rules of the game, an enterprise that Krasner considers 'normatively suspect' (p 29).

¹ Krasner is the editor of *International Regimes*, Ithaca: Cornell University Press, 1983, most of which originally appeared in *International Organization* 32(2) Spring 1982.

Krasner sees evidence for his thesis in many domains. One is the Third World's reaction to the OPEC price increases of the 1970s. Had the primary concern of the non-OPEC developing states been material welfare, they would have sided with the North on economic grounds. They did not, because they saw the action as a successful instance of regime alteration in the direction of state control. Similarly in the UNCLOS negotiations over alternative oceans regimes, the Third World opted for the solution that maximised political control (extensive coastal rights) over one that Krasner argues might have yielded greater international revenues. Where the pre-existing regime already operated on authoritative allocation (as in civil aviation), the South posed no challenge, whereas it did seek to change the market-oriented ocean shipping regime.

Krasner's modified realist approach does explain Third World diplomatic behaviour better than economic approaches. To redistribute power and to enhance security have always been central goals in the state system. Yet, as Krasner acknowledges, regimes that redistribute power can concurrently redistribute wealth. Moreover one can accept Krasner's analytic argument about the 'fundamentally political character' (p 27) of Third World demands without endorsing his claim that they are normatively suspect.

Krasner does not really elaborate on this point. Presumably he prefers market regimes on ideological grounds, and simply leaves the matter at that. What he actually does proceed to argue at this point is that 'developing states do not have the power to create completely new international regimes' (p 29). This may make the Third World quest for authoritative regimes realistically 'suspect', but it does not establish a normative argument. Krasner admits that even under the liberal regime 'when national security was at stake, authoritative allocation always took precedence over the private market' (p 67). In light of his own emphasis on the Third World's pursuit of security, one wonders whether this might not legitimise the Third World's normative preference. What is at issue more fundamentally here is whether an international market regime can ever resolve the global problem of development. Historically, economic liberalism has meant unequal exchange and has produced the very gap that the South now contests. Although Krasner understands perfectly why the South is trying to change the regime, his own conclusion is that change would not contribute to a 'stable international environment' (p 30). In the name of stability, he calls not for a development regime but for delinking.

A good way to reduce the irresolvable conflict, in other words, is for the South to break with the North. In this manner, Krasner's argument merges with the prescription of some dependency theorists. Krasner's twist is to argue that the North has an interest in encouraging collective self-reliance in the South—ironically, Krasner's preference for the market leads him into the company of Julius Nyerere. The difference is that Nyerere has always seen

collective self-reliance as a stimulus to regime change whereas for Krasner it is an alternative.

Richard Jackson has served in the trenches of the North-South conflict at the UN. It is evident that he was often exasperated by nonaligned votes and declarations. He takes to task leaders like Nyerere and Houari Boumedienne for their structuralist critiques of the North (he is especially tough on the Algerian leader whose name is mis-spelled, p 24, and whose place and date of death are mis-stated, p 65). Yet his larger purpose is to present the movement as a force with which US diplomacy must deal intelligently on the grounds that a strong, independent Third World grouping is compatible with American interests.

Much of the material on the origins and evolution of nonalignment will be familiar to specialists. His chapter on the 1983 New Delhi summit is an informative account of what the proceedings looked like to a State Department observer. His material on the activity of the non-aligned subgroup on the Security Council is fresh, and his data on voting correlations generally confirm intuitive impressions. Overall, the book is a valuable introduction for non-specialists.

Underlying Jackson's study is a policy argument against abandoning the UN in anger or frustration (one of Krasner's predictions as to how conflict might be reduced). He is dubious moreover about the impact of such initiatives as Ambassador Jeane Kirkpatrick's October 1981 letter or Senator Moynihan's Foreign Aid Bill amendment designed to pressure non-aligned governments to disavow movement declarations. He much prefers quiet diplomacy and steps to accomodate the NAM on key political matters like Resolution 435 on Namibia and the Palestinian question. Krasner would likely counter that such steps would not eliminate the basic vulnerability of the South, which would continue to bombard the North with proposals for regime change. But Jackson's assumption is that some of the problems that the non-aligned have raised are resolvable; he calls for a new approach to test the proposition.

Such is likewise the thrust of the ODC *Agenda 1985-86*. Krasner's citation of editor Sewell refers to the 1977 volume, but he would presumably see the same reformist orientation in the newest volume which continues to rest upon the assumption that the United States should do more to meet Third World developmental needs. Like previous numbers in this series, *Agenda 1985-86* offers informed essays on specific policy questions: in this instance, macro-economic policy, international finance and debt, trade, and aid. Each essay focuses on the record of the Reagan Administration during its first term. A final contribution compares the records of the Carter and Reagan administrations in dealing with radical regimes.

The volume presents a clear rationale for the policy reforms that Sewell and his associates currently favour: a macro-economic economic policy that reduces the fiscal deficit and interest rates, thereby stimulating Third World

growth; frank recognition that private financial markets are inadequate to handle the current global debt situation; a trade policy that does not seek to impose equal standards on manifestly unequal countries; a reversal of the Reagan administration trend toward military aid over aid to the poor. Richard Feinberg's chapter on international finance engages the issues of market versus authoritative allocation that are central to Krasner. He emphasises how the private sector 'increasingly sought the clasp of the visible hand of government' including international financial institutions in order to manage the debt problem (p 59). Krasner observes that the basic Keynesian principles of the international financial institutions coincide with the Third World preference for authoritative allocation. Krasner's point is that here was one norm over which North and South did not have to fight (even if the South did contest other aspects of the regime like conditionality and weighted voting). Feinberg's point is to stress that authoritative allocation is prudent and desirable in this instance, because private markets are not suited to all problems.

What should Northern policy be in the face of the Third World's pressure to establish new regimes? Clearly these books will stir rather than settle that debate. Krasner's analysis does demonstrate convincingly that the concepts of regime theory are helpful in understanding North-South relations. His suspicion of the principle of authoritative allocation (or perhaps his assumption that the North will not accept it) leads him to the conclusion of enduring conflict. Neither Jackson nor the ODC formulate their policy recommendations in terms of an opposition between contending regime principles. Implicitly, however, the ODC favours steps toward coordinated management of the global economy for the sake of Third World development. Norms, principles, and policies that enhance development—indeed it might be well to refer to such as a 'development regime'—offer paths toward a solution that have not yet been explored.

Thirty years of education: dilemmas and disillusionment

Keith Watson

Education in Latin America and the Caribbean: Trends and Prospects, 1970–2000

Jose Blat Gimeno

Paris: UNESCO, 1983, 190pp. FF45

Educational Planning in a Decentralised System: The Papua New Guinea Experience

Mark Bray

Sydney: Sydney University Press and University of Papua New Guinea Press, 1984, 159pp. np

Educational Research Environments in the Developing World

Edited by Sheldon Shaeffer and John A Nkinyangi

Ottawa: International Development Research Centre, 1983, 288pp. np

Literacy in Theory and Practice

Brian V Street

Cambridge: Cambridge University Press, 1984, 243pp. £5.95pb

The World Crisis in Education: The View from the Eighties

Philip H Coombs

New York: Oxford University Press, 1985, 353pp. £8.95pb

In the 1950s and 1960s education's role in the development process was widely acknowledged—by politicians, by economists and not least by educationists. Investment in formal education systems and the expansion of literacy programmes would lead to the development of attitudes of mind conducive to 'modernisation', 'change', 'innovation' and 'logical thought processes'. There was a sense of optimism, even of euphoria, to such an extent that some writers have described the early 1960s, the period when ambitious education plans were drawn up and educational planning units were established in many countries of the Third World, as the 'age of innocence'. Thirty years later, in the mid-1980s,

there is no longer the same certainty about education's role in socio-economic development. Too many of the expectations of the 1960s have not been realised. Politicians in both the North and the South have begun to look critically at education and have begun to cut education budgets substantially in real terms. For the 50 per cent or more of children who are not enrolled in school, particularly in the African continent, future prospects are far from encouraging, especially as costs for formal education continue to increase dramatically.

This gloomy scenario had already been predicted in 1968 when Philip Coombs first published his *World Educational Crisis*. His *World Crisis in Education: The View from the Eighties* (1985), an excellent survey, containing many useful charts and statistical data, which should be read by politicians and planners in the North as well as the South, reviews what has occurred in the intervening years and concludes that there is still a continuing world crisis in education. Coombs examines the political, economic and demographic changes that have taken place, the changed perceptions about education with greater emphasis on non-formal provision (NFE) and points out that we are increasingly talking about 'a learning network' rather than systems analysis. While one would have liked a greater depth of analysis this is a wide-ranging, perceptive and thought-provoking volume. Coombs argues that the aim of his book 'is not to be a bible with all the answers but to provoke and contribute to a broad discussion of critical and complex educational issues' (p 31). In that he certainly succeeds, and he very effectively shows that education is not a sector isolated from social, demographic, economic or political change. Indeed, it is inextricably bound up with changes in these areas. He begins by high-lighting the growing gap between social demand, fuelled by population growth, and the ability of governments to supply sufficient education, let alone education of good quality. Educational pressures brought about by population growth are enormous not only because they lead to urban/rural disparities, but because the rural poor become increasingly disadvantaged. At the same time, however, they throw into stark relief some of the dilemmas facing policymakers. Changing work patterns in the North, brought about by new and costly technologies, are already influencing thinking about the style and content of education. To a lesser extent they are affecting a number of LDCs, but there the political conflict is often between seeking to achieve Universal Primary Education (UPE), thereby raising the overall levels of literacy and numeracy of the population, or of providing more high level qualified personnel. Unfortunately, although educational expansion doubled globally between 1960 and 1980—it expanded in that twenty year period as much as in the whole of previous recorded history—most LDCs expanded their secondary and tertiary provision disproportionately and concentrated their efforts at these levels. As a result there have been high levels of drop-out and wastage, and even on current predictions no developing region (as opposed to individual

countries) will have achieved UPE by 2000 and the numbers out of school will continue to grow alarmingly. Coombs comes up, therefore, with a sound but contentious suggestion.

Instead of looking at the expected numbers of students enrolled and predicting educational expansion accordingly, governments should look at the expected economic resources and fit the educational provision to suit these, rather than the other way round. This is an important point to consider because financial cutbacks in education are occurring at the same time that the unit costs are increasing. As Coombs indicates, there has been a major decline in educational investment in recent years, a situation made worse by inflation in many LDCs. Whether governments will adopt this approach to planning for educational needs and resources remain to be seen.

In the light of the current teachers' dispute in England, Wales and Scotland (a dispute mirrored elsewhere in the industrial world) Coombs' chapter on the dilemmas of teacher salaries and professionalism is both apt and very clear. He points out the stupidity of having a uniform teaching salary structure, irrespective of the ability of the teachers, and argues the case for a fundamental restructuring of the teaching profession by increasing class sizes and by using aides and auxiliaries to help work in a team alongside teachers, but with teachers giving the lead. The team leader should be paid a higher salary, as already happens with a surgeon who depends on junior nursing and other staff to assist him. Some of these ideas were tried out a century or more ago with mixed results, but there is no evidence that they will either reduce the budget or increase teacher professionalism if they are to be reintroduced now.

Two other important aspects of educational development are the *relevance* of what is taught (i.e. the curriculum) and the *quality* of the learning environment. Unfortunately, too little consideration was given to these aspects in the rapid expansion of the 1960s. Coombs offers a useful discussion on both aspects and argues that while it is highly questionable that the 'good old days' were any better than now, too many poor replicas of Western models are to be found in the LDCs with the result that schooling is frequently inadequate for the real socio-economic needs of society. Most changes have merely tinkered with the system rather than bringing about radical reforms. Because schools are very much a part of the economic and political climate of the country it is not always as easy to change them as it is to make them the scapegoats for all the social ills of society.

There are also interesting sections and chapters in Coomb's analysis on education and employment: aid and international assistance and; regional, geographical, sexual and socio-economic disparities which must be taken into account in the context of educational planning. There is also some useful discussion about international influences on the education systems of LDCs over and above local, national and cultural factors. Exponents of dependency theory, as it applies to education, have usually only taken into account the

former, while ignoring the latter. Bray's largely descriptive study of *Educational Planning in a Decentralized System*, shows how both international and country related issues have affected the complexities of educational planning in the context of one specific country, Papua New Guinea. The book begins with a helpful theoretical discussion of the strengths and weaknesses of decentralised educational administration before the reader is taken into the detailed situation in Papua New Guinea. Unusually, decisions about decentralisation in Papua New Guinea were as much political as administrative—largely as a means of maintaining national unity and of preventing separatist tendencies amongst the different communities. The very same arguments are generally advocated for greater centralised control in most countries. In tracing the history of decentralisation in Papua New Guinea, Bray points out that there has been a resultant increase in bureaucracy, that there has been a duplication of effort at national and local levels, and that because of the geography of Papua New Guinea there has been considerable difficulty in coordinating local plans, not to mention in controlling the financial escalation. Several major difficulties of decentralised administration in Papua New Guinea have included increased bureaucratisation, a shortage of adequately trained staff and a lack of any noticeable increase in local participation in education. At a time when, in the interests of 'efficiency, access and relevance', international bodies like UNESCO and the World Bank are advocating greater local involvement through decentralisation, the financial and administrative problems created in a country as small, yet as diverse, as Papua New Guinea need to be taken very seriously by other countries considering decentralisation. Bray's analysis suffers because of its failure to be *more critical* of what is, quite clearly, an administratively wasteful system.

A similar criticism about fear of causing offence by being too critical could be levelled at Gimeno's *Education in Latin America and the Caribbean: Trends and Prospects, 1970–2000*. Based on the UNESCO Regional Conference held in Mexico in December 1979, this is a useful comparative education book with some good basic information and comparative data in tabular form, but, as with most UNESCO publications, there is insufficient critical analysis of the situation. There is a good introductory account of the complexities of the Latin American region and educational developments since 1956. There is also a recognition that the expectations for education were over-ambitious, that the enrolment targets were unrealistic and that far from solving the problems of unemployment, many more problems have been created, not least in the sprawling urban areas of Latin America. The analysis of the socio-economic developments of the region is generally fair and some of the structural features of rural poverty are highlighted. Above all, there is an excellent rebuttal of the de-schooling critics of education's role in modern society. As with other developing regions, however, there appear to be unquestioning moves towards greater decentralisation of decisionmaking. Whether, in the light of the Papua

New Guinea situation, this turns out to be a good thing remains to be seen. There is also a growing emphasis on adult education and literacy and the need for greater research. It is these last two aspects which must be examined further.

Coombs has a most useful chapter on 'the tarnished literacy myth'. In the 1950s there was a great belief in literacy as a key to development progress. Levels of literacy became the yardstick for measuring economic development. Anderson's belief that 40 per cent of the adult population needed to be educated at least to the equivalent of primary education before economic 'take-off' was possible became widely accepted in the 1960s and UNESCO and individual governments launched mass literacy programmes. In spite of these—and especially the 89-nation Experimental World Literacy Programme launched in Tehran in 1965—the numbers of illiterates have continued to increase, drop-outs and wastage from the school system remain appallingly high and economic development remains uneven. In his *Literacy in Theory and Practice*, Brian Street challenges many of the traditionally accepted assumptions about literacy, not least Anderson's 40 per cent, on the grounds that different forms of 'literacy' are highly relevant in given societal situations. Literacy, and the use of language and other communications, are very heavily influenced by cultural conventions. He attacks the traditional 'autonomous' model, which argues for several principles from a few specific cases and which argues that illiteracy implies a lack of logic and an incapacity for abstract thought, and instead develops his own 'ideological' model. By using linguistic research to substantiate his arguments, he shows that literacy for specific purposes, e.g. 'academic' language, has subconsciously influenced attitudes to literacy programmes generally and has resulted in wrong perceptions. Street therefore challenges the assumption that language and literature are essential for successful societies. Indeed, there are examples of socio-economic development in spite of low levels of literacy (e.g. nineteenth-century Canada, India, Pakistan), but these merely lend support to the argument that literacy has been used as a means of social and political control. Street tests his views in the context of Iran of the 1970s. This is an interesting case study on rural Iran before the fall of the Shah, showing the attitudes of rural Muslims to Western science and society but he also looks critically at a number of literacy programmes in other LDCs, most notably Tanzania, Cuba and Nicaragua. He concludes that while improvements in literacy can enable greater economic growth and development, literacy is not necessarily a direct cause of development. This is a major challenge to the exponents of the importance of formal education systems in national development and needs to be studied and developed more carefully. Above all there needs to be more research into the linkages of literacy and economic development.

The difficulties of undertaking research in LDCs is the theme of Schaeffer and Nkinyangi's *Educational Research Environments in the Developing World*.

They rightly observe that it is increasingly difficult to undertake educational research generally because of lack of interest and/or lack of financial support, but that because of major investments in education and the need to avert politically disastrous decisions more research data is long overdue. Unfortunately very few countries place a high premium on educational research and it certainly figures low on the list of priorities of international aid agencies. 'What is required in any attempt to enhance the capacity for educational research is a more sensitive understanding of the complexities of the research environment, and a more flexible, multidimensional approach to improving its several components—tasks in which neither the local government nor foreign donor agencies have shown much interest or skill' (p 18).

It is the importance of understanding the socio-economic framework of a country which this volume seeks to address and which is now recognised by World Bank and other donor agencies. The countries examined include Colombia, Mexico, the Caribbean region, Thailand, Jordan, Kenya, Mali and Senegal. While every situation is unique, with the result that it is almost impossible to establish a uniformity of research models in this volume of essays, and while the relationships between government, research institutions and individual researchers vary from cooperation to indifference, the overriding impressions from most LDCs are how little educational research is taking place and how few political or administrative decisions are made in the light of research findings. There are too many constraints on carrying out research let alone in disseminating the findings. This is tragic because of the enormous investment in education for the future. Yet it is even more tragic because, with current population predictions, there will be ever-increasing numbers of children in the world to be educated and most LDC governments can neither afford to ignore education nor to accept the status quo. It is here that international cooperation and research have such important roles to play. Perhaps it is fitting, therefore, that the final words should go to Coombs:

This much seems clear, international cooperation in education and research cannot be expected to alleviate overnight the immediate problems, but with determined and well-directed efforts it can be expected to contribute significantly in the long run to a saner and more secure world in which all people, in all countries, can with greater confidence aspire to and work toward a better quality of life (p 335).

This may be a pious hope, but all the books reviewed indicate some areas where there can be greater cooperation and where lessons can be learnt. There are dilemmas necessitating policy decisions; but disillusionment with education should in no way invalidate its importance or the need to continue to increase investment, research and planning.

The Scourge of Hunger

Herbert Ekwe-Ekwe

Ethiopia—The Challenge of Hunger

Graham Hancock

London: Victor Gollancz 1985. 128pp. £3.95pb

Agrarian Reform in Ethiopia

Dassalegn Rahmato

Uppsala, Sweden: Scandinavian Institute of African Studies. 1984. 105pp. np

Never Kneel Down: Drought, Development and Liberation in Eritrea

James Firebrace with Stuart Holland

Nottingham, England: Spokesman (for War on Want). 1984. 190pp. £4.95pb

Ethiopia, Great Britain, and the United States—1941–1974

Harold G Marcus

Berkeley, California: University of California Press. 1983. 205pp. £22.00

Persistent Pastoralists—Nomadic Societies in Transition

Peter Righy

London: Zed Press. 1985. 198pp. £6.50pb

In September 1985, the Commonwealth Institute in London mounted a very successful exhibition of the latest works of the brilliant Nigerian artist, Obiora Udechuku. These works, which were made up of watercolours, pen and ink drawings, lino-cuts, etching and lithographs, focused exclusively on dimensions of the current tragedy of the African famine. The exhibition was appropriately called 'The Rhythms of Hunger'.

In a statement released to coincide with the occasion, Udechukwu recalled the contents of a letter he had received from an American who wished to purchase an item of his art. The prospective client insisted that she 'would be interested in something with people, *but nothing too much about unpleasant situations or things*. I shouldn't say that because some of your finest pieces reflect the famine or thirst of some very unfortunate individuals. My heart goes out to them through your work.' (emphasis added). In his own response, Udechukwu observed:

Her feelings . . . typify the dilemma of the *fortunate* especially among the ruling elites of

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the world. They recognise the suffering of the underprivileged but would do nothing to correct the socio-economic systems and development programmes that continue to perpetuate injustice and deprivation. It is ever so convenient to give alms, to donate to charity and quickly move your eyes and thoughts to more pleasant things. I do not think that many ever wonder what it would be like exchanging places with the 'unfortunate'. (emphasis added).

The African famine is surely one of the worst human tragedies of the century. But the response of the world to the catastrophe, particularly by Western governments, has been slow and half-hearted. Despite the early warning signals of impending disaster given by governments and aid workers in Sahelian Africa, and the Horn, as far back as 1982, not to mention irrefutable satellite pictures derived from scanning the affected territories, it still required a globalised high-tech concert organised by pop stars in London and Philadelphia in the summer of 1985 to stir the conscience of the world to the disaster.

While this initiative helped tremendously to send relief aid to millions of starving people, it has however tended to obscure the fundamental causes of the famine; the pop fiesta has unfortunately limited our comprehension of this calamity within the threshold of a charity show. Consequently, those governments and agencies (especially Western states and transnational corporations, and most African regimes since 1960) whose age-long harsh economic exploitation of the African peasantry has clearly created the condition for the famine, have conveniently taken refuge in this charity extravaganza.

Graham Hancock, Dessalegn Rahmato and James Firebrace (with Stuart Holland) have in the titles under review here ripped aside the Charity Curtain of the African famine to investigate the often complex historical and prevailing social conditions that have given rise to the emergency. They concentrate their studies on the Horn of Africa.

Hancock recalls the horrors of the Ethiopian famine of the 1970s (conservative estimates indicate that 200,000 people died in Wollo and Tigre provinces between 1972-4) which led to the overthrow of the country's ancient absolutist monarchy headed then by Emperor Haile Selassie. This gave birth to the Ethiopian Revolution in 1974 which was spearheaded by radical army officers known as the *Dergue*. Before the revolution, two-thirds of the land was controlled by feudal landlords whose main allegiance was to the Emperor. The majority of peasants worked as serfs or on crowded smallholdings.

With the success of the revolution, the *Dergue* nationalised all land, and initiated a wide-ranging land reform programme which gave land to millions of peasants. The archaic and oppressive feudal system of production was disbanded. Dessalegn Rahmato's text, *Agrarian Reform in Ethiopia*, is an excellent study which furnishes the details of the historic 1975 reform

programme. He also refers to the successful literacy campaign conducted in the countryside during the period. Only 7 per cent of the Ethiopian population could read and write when the *Dergue* came to power. Ten years later, after the first phase of the literacy exercise, 63 per cent of the people had become literate. The *Dergue* hoped that this crucial development, coupled with its success in confronting land redistribution would radically increase the involvement of the broad sectors of the population in the political process.

But as Hancock notes (p 34), 'The challenge for the future, however, is to take land reform beyond simple redistribution into increased productivity—a goal that has so far not been achieved, with large parts of the agricultural sector over the last ten years.' In addition, Ethiopian agriculture has yet to undergo a radical restructuring, away from the cash crop export-oriented character typical of former Third World colonies and semi-colonies. This is the situation that has created the chilling paradox whereby Ethiopian coffee continue to flood Western commodity markets, while millions of Ethiopians starve to death. Those peasants who produced food are still paid a paltry sum of money for their crop by state agents. Again, another typical malady perpetrated by African regimes who are all too keen to subsidise urban populations at the expense of the peasant majority in the rural areas.

Western governments' hostility to the Ethiopian regime's ideological orientation (particularly in relation to its foreign policy) explains the overall lack of interest of the West in allocating long-term aid to rehabilitate Ethiopian agriculture after the devastation of feudal production and the famine. The overthrow of Selassie cost the West the loss of a major strategic ally in the Horn of Africa. As Harold Marcus points out (in *Ethiopia, Great Britain, and the United States, 1941–1974*), the revolution forced the Americans to evacuate a huge military communication base in the country which was linked to US naval surveillance activities in the Indian Ocean. The Americans, especially since Reagan came to office, have not been in the mood to establish a relationship with the new Ethiopian administration.

However, it is the *Dergue's* scorched earth military campaigns against subject nationalities in Eritrea, Tigre, Oromo and elsewhere that has exacerbated the current emergency in the country. The effects of this campaign on Eritrea and the stubborn resistance of the province's main revolutionary organisation, the EPLF, are well documented in *Never Kneel Down*. The authors, James Firebrace and Stuart Holland visited Eritrea in April 1984 to study a conflict that had been going on for twenty-four years. They chronicle the experience of a people who have embarked on the most advanced social reconstruction that has yet been seen anywhere in Africa since the destructiveness of Western imperialism.

Apart from pinning down thousands of Ethiopian troops who have repeatedly failed to destroy the Eritrean Revolution in the two decades, the Eritreans have launched a developmental programme based on popular

participation, in spite of enormous difficulties. Health care and education are remarkable and the level of literacy is higher than that of several other independent African countries. The liberation of women has been a crucial factor in societal transformation; women not only participate in combat, but also work as doctors, agronomists, teachers and engineers. Given its *genuine* popular base, the EPLF has been able to cope much better with the exigency of the present famine than either the Ethiopian government or other regimes in the Sahel. No doubt, *Never Kneel Down* is an important addition to the rapid growth of literature on the Eritrean Revolution. It is a struggle that the Dergue must now know it cannot crush.

If there is an occupational group that has become most vulnerable as a result of the African famine, it is the pastoralists. The delicate ecological balance that maintains the symbiotic relationship between pastoralists and agriculturalists has been violently disturbed: for the herdspeople to survive, they are forced to embark on ever more desperate far-flung marches in search of ever diminishing pasture. Peter Rigsby's study of the Ilparakuyo Massai pastoralists of Tanzania (*Persistent Pastoralists*) breaks new theoretical grounds. Rigsby notes that contrary to 'conventional' scholarship, which regards pastoralism as a 'residual' pre-agricultural occupational culture which is inexorably subject to extinction, pastoralists have been able to develop and consolidate non-exploitative relationships which have fundamental consequences for future social transformation in those African countries where they exist. Rigsby's important findings will undoubtedly elicit a major debate on a group that some commentators have termed 'Africa's endangered species'.

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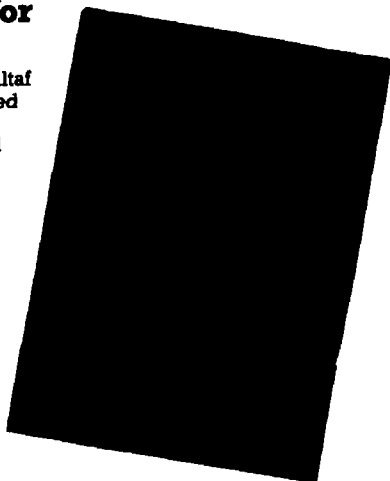
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THIRD WORLD QUARTERLY

Editor-in-Chief **Altaf Gauhar**

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Unmasking neo-apartheid

Apartheid, it seems, has no supporters left. The desire to end it is all-consuming; the only disagreement is whether its opponents call themselves 'reformers' or 'abolitionists'. However, closer examination reveals that the 'reformers' do not oppose apartheid at all; they want it to adapt, adjust and survive. This is hardly surprising considering that the State President of South Africa, P W Botha, is a self-professed 'reformer', his words welcomed by President Reagan and Prime Minister Thatcher who are ardent 'reformers' themselves.

Now that apartheid is stigmatised as a term of abuse, its original architects and proponents want to distance themselves from the word as much as possible . . . 'apartheid is outmoded', 'apartheid no longer exists'. What they want to create instead is a streamlined, renovated neo-apartheid which they hope no one will recognise as such; a system which will somehow reconcile black rights with white power. The fact is that they are irreconcilable. The struggle was never limited to benches, beaches and toilets; the real leaders of South Africa want nothing less than majority rule: one man, one vote, 'a South Africa which belongs to all who live in it'. Accepting anything less would mean cooperating with 'reform', becoming the black oligarchy which the white minority in Pretoria hopes will have as much stake in neo-apartheid as they do.

The 'reformers' have been unsparing in their use of violence. More than 1500 blacks, including children, have died since the process of 'reform' began in earnest in August 1984. Even as they perpetrate and support state violence in black townships, the white minority regime in Pretoria still warns of the deluge which would follow black rule. The fear is that blacks must have kept score of the injustice and violence they have suffered over decades and, it seems impossible to those whites who have supported apartheid, that this will not bring eventual vengeance. 'We have worked in the white man's kitchen. We have brought up his children, we could have killed them any time we wanted to.' This is a difficult statement to read, and it must have been a difficult statement for Winnie Mandela to make because it could so easily be misinterpreted as a threat to murder all white children in the care of blacks. It is not. It is an affirmation of the self-control and restraint which this oppressed majority has exercised. It underscores the fact that without the blacks' sense of responsibility and humanity, white control in itself was never enough to have prevented this happening. Blacks have continually behaved with restraint, but now they also have an awareness of their power.

When Archbishop Tutu finally called for punitive economic sanction against South Africa in April 1986, he said:

'Apartheid is irreformable. It must be destroyed before it destroys our country. . . . I have no hope of real change from this government unless they are forced. We face a catastrophe in this land and only the action of the international community by applying pressure can save us. Our children are dying. Our land is burning and bleeding.'

Archbishop Tutu's appeal to the international community was directed primarily to those countries whose sanctions would make the greatest impact on South Africa. The seven major democracies, as they describe themselves, ended their annual economic summit in Tokyo in May 1986 with a strong condemnation of terrorism which they pledged to fight relentlessly and without compromise through 'determined, tenacious, discreet and patient action combining national measures with international cooperation'. The US Secretary of State, George Shultz, exulted in Reagan's triumph of 'isolating' Libya which was singled out by name as a source of state terrorism. South Africa, which more aptly fitted the description of terrorism as ignoring the 'values of human life, freedom and dignity' was neither mentioned nor considered in this context. (Although it was reported that Mrs Thatcher wanted the assembled leaders to express a concern that the rights of the white minority in South Africa should be protected.)

The signatories of the Tokyo communiqué are responsible for the vetoes which have prevented the Security Council from applying mandatory economic sanctions against South Africa under Chapter 7 of the United Nations Charter. The net effect of this has been to weaken international support for sanctions because even those states which support sanctions are unwilling to take national measures on the grounds that in the absence of a Security Council decision their national measures will have little effect. Whatever national measures have been taken recently by Western countries have been in response to mounting domestic pressure to disinvest from South Africa. Left to themselves the Western governments were quite happy to welcome P W Botha to Europe in 1984 when he first became a 'reformer' and inaugurated his sham Parliament. He visited Britain, Portugal, Switzerland, Austria, France, Germany, Belgium, Italy and the Vatican. Clearly, isolating the apartheid regime is not the highest priority of Western leaders.

It is worth reiterating why economic sanctions are critical to the South African struggle. The apartheid regime is facing a political and economic crisis. The recognised leaders of black nationalism are saying

that the next phase of the struggle which calls for action has come. That they will take on themselves; what they are asking from the international community is concerted action to help them make this phase decisive. Economic sanctions will not destroy apartheid but they will weaken the white minority regime in Pretoria significantly. South Africa is a siege economy whose planners are aware of a future under sanctions and are trying to create an economy able to withstand an economic boycott by the world's governments not just by conscientious individuals. Those plans have made their dependence on foreign finance acute.

Twice before apartheid has faced a crisis of confidence with its lenders which might have marked a turning point in its defeat: after the Sharpeville massacre of 1960 and the Soweto uprising of 1976. Then, as in August 1985, following the State of Emergency and increased repression, the value of the rand fell sharply as capital flight occurred and lenders declined to renew loans. On both occasions the US and the International Monetary Fund stepped in to restore confidence in South Africa's creditworthiness.

In February 1986 as Fritz Leutwiler was mediating a rescheduling agreement between South Africa and her creditors, Archbishop Desmond Tutu and Claude Beyers Naude urged the banks to refuse South Africa relief unless President Botha resigned. By 20 February an agreement between South Africa and the banks was in place. Bankers respond to political pressure when they must but are unlikely to rethink their commitments to South Africa unless their governments impose sanctions and disinvest.

It is a depressing thought that reschedulings will continue with South Africa receiving 'most favoured debtor' treatment, on the pretext that its 'reformist' government must remain open to international influence, thus giving neo-apartheid respite to consolidate itself. The pace of change adopted by 'reformers' is unacceptably slow. It took the US, which considers Marxism a greater threat to the happiness of South African blacks than racism, fifteen years to 'condemn' apartheid in General Assembly resolutions. Until 1960 the US would go no further than expressing 'regret and concern'. It was only after the international outrage provoked by Sharpeville that it had to 'abhor' apartheid with the rest of the civilised world. It is deplorable that an Administration whose Southern Africa policy is based on the premises that South Africa is an ally and the key regional power should be able to play such an important role in helping to shore up apartheid.

Only changes brought about through negotiations with leaders who are presently imprisoned and parties which are banned could be recognised as progress in the direction of a free South Africa. The Botha regime recognises that any such dialogue would imply, however tacitly, that negotiations for a transfer of power to the majority had been initiated. That it will never do and that is precisely what 'reform' without dialogue is intended to circumvent: to quiet black demands without ever meeting them. The view that apartheid must be tolerated a few years or decades longer, while it is encouraged, rather than compelled to change, is a dangerous assurance that the domination of white power will continue. As South African whites look across the border to Zimbabwe, they see an independent African state which is finding even the reservation of parliamentary seats for whites too discriminatory and burdensome a privilege to maintain. What guarantees, they wonder, will prevail under majority rule and how will they enforce them? 'Reform' may ultimately be a losing bet, but, with support from trading partners who refuse to impose sanctions, for the present it is the safer option.

Racism, apartheid and a new world order

Oliver Tambo

Address delivered on receiving the Third World Prize for 1985, on behalf of Nelson Rolihlahla Mandela and Nomzamo Winnie Mandela. The Prize was presented by Dr Mahathir Mohamad, Prime Minister of Malaysia, at the inaugural session of the Second Summit of Third World Scholars and Statesmen, South-South II: Charting the Way Forward, in Kuala Lumpur on 5 May 1986.

The most senior leaders of the oppressed people of South Africa have been in prison for almost a quarter of a century now. They who would have contributed so enormously to the making of a prosperous, happy and peaceful society, whose leadership would have moved millions to strive for the achievement of this goal, these have been condemned to commune only with the prison guards for the rest of their natural lives.

While these titans of freedom pounded rocks and sewed mailbags behind prison walls, those who had issued the command that they should be jailed were busy imprisoning a whole society. They decreed that none shall speak of anything except what the gaolers permitted to be said; that none shall act according to their consciences except with the authorisation of the gendarme. They proclaimed that the truth shall not be told except that which the regime of repression deemed to be the truth. They, on the other hand, would have the right to designate oppression as liberty: those who are enslaved would be described as free men and women, while he or she that dared to fight for genuine freedom would be categorised and treated as a criminal.

We are meeting here today to honour two South Africans, Nelson and Winnie Mandela, who symbolise those prisoners, the first within the narrower and the second, the wider meaning of that term. We meet not to express sympathy either with them or with the millions of people of whom they are part, but rather, to salute and pay tribute to them for their resistance to tyranny. We have gathered here to honour them for their steadfastness in the struggle to give birth to a world in which those of us who are blessed with the skin colour you see on our hands and faces, will no longer be victims of oppression, exploitation and degradation.

The cause for which our people are paying the supreme sacrifice daily and for which Nelson Mandela, Walter Sisulu, Govan Mbeki, Harry Gwala, Ahmed Kathrada, Elias Motsoaledi and others have been sentenced to life

imprisonment, has a significance which extends far beyond the borders of our country.

For, what they are fighting against is the pernicious ideology of racism, the accumulated refuse of centuries of an anti-human prejudice which seeks to define people as inferior, as not fully human, by virtue of their race. They are engaged in struggle to end the practice which gave birth to these ideas, the practice of racial discrimination, racial oppression, domination and exploitation.

Racism, one of the great evils of our time, bedevils human relations, between individuals, within and between nations and across continents. It brutalises entire peoples, destroys persons, warps the process of thought and injects into human society a foul air of tension, mutual antagonism and hatred. It demeans and dehumanises both victim and practitioner, locking them into the vile relationship of master race and *Untermenschen*, superior and underling, each with his position defined by race.

As black South Africans, we have lived within the entrails of the racist beast for many a long year. We have seen constructed a system of social organisation based on the premise and the practice that those who are white are inherently superior and those who are black must, in their own interests, be the objects of policies decided exclusively and solely by the white people.

Quite clearly, this edifice required some pseudo-theoretical precepts to underpin it and give it the appearance of rationality. The theoreticians of racism in our country drew on the gross perversions of science which assumed their clearest forms during the second half of the last century in Europe and the United States. In these centres of imperialist power, there grew up theories that biology and social anthropology provided the basis to justify the notion that all black people carried with them both an innate and a cultural inferiority to the white, giving the latter the right and the duty of guardianship over the former.

Implicit in this thesis is the idea that these higher human beings have a similar right and duty to maintain the purity of the human species up to the point and including the commission of the crime of genocide.

One of the earliest of these racist theoreticians in our country, this century, was none other than General Jan Smuts, who opposed Nazism only because it threatened British imperial power. Speaking amidst the splendour of the London Savoy Hotel in 1917, Smuts had this to say:

'It has now become an accepted axiom on our dealings with the natives that it is dishonourable to mix white and black blood . . . We have felt more and more that if we are to solve our native question, it is useless to try to govern black and white in the same system to subject them to the same institutions of government and legislation. They are different not only in colour but in minds and in political capacity . . .'¹

¹ Quoted in Wilkins and Strydom, *The Broederbond*, London: Paddington Press, 1979.

More than forty years later, when these insulting racist ideas had been translated into the apartheid system, here is what two other theoreticians of this system wrote:

'The three foundation stones of apartheid are Western culture, Christian morality and a specific racial identity. In the case of the Afrikaner, there is a powerful connecting link between these three elements. His own particular bio-genetic character is, for example, associated with a particular socio-cultural way-of-life and to give up either, through amalgamation with a more primitive culture or race must necessarily result in the destruction of the other.'²

Of course the inanities that were being conveyed as bio-genetic and socio-cultural theory, during the second halves of both the nineteenth and the twentieth centuries, were nothing but an attempt to justify a colonial relationship of the domination and exploitation of the black peoples by the whites. They had absolutely nothing to do with scientific truth.

Once implanted, and despite their exposure as fraudulent and bankrupt, these ideas seemed to take on an independent existence, nurtured by the continued practice of white supremacy in many parts of the globe. Originating from practice, they served to encourage the entrenchment, perpetuation and extension of this practice. To emphasise the point that they reflected an immutable natural order of things, the fertile human mind goes further to enrobe these racist ideas and practices with the cloak of religion.

It is indeed in this way that it becomes possible for racism to give those who believe themselves to be superior, the power to challenge the very God they dragoon to serve their interests and whom they claim to worship. Thus, whereas the Christian Scriptures, for instance, see all human beings as having been created in God's image, all racists will, for reasons that are perfectly obvious to them, retort that this cannot be so. And so it is that the foulest of crimes, against life itself, are perpetrated in the name of religion, as is the case in our own country. The idea of a civilising mission, so dear to the earlier missionaries, derived exactly from this view that the European was a higher being deposited on this planet to play God over 'the natives.'

From what we have said so far, it is self-evident that the practical relationship that characterised the interaction between Europe and the colonised world, today's Third World, could not be but a hothouse of ideas justifying this relationship. In its essence, racism is therefore about domination and works both to justify existing domination and to prescribe domination as the *sine qua non* for the solution of all future problems.

Among the objectives pursued by our illustrious host here today, the Third World Foundation, are 'to assist in the evolution of a fundamentally just and

² Pierre van den Berghe, *South Africa—a Study in Conflict*, Berkeley: University of California Press, 1967 quoting N J Rhoadie and H J Venter.

equitable relationship between the Third World and the developed countries' as well as 'to create greater awareness of the problems of poverty, hunger and ignorance in the Third World.'

That it is necessary to address these issues, as indeed it is, attests to the fact that the imbalance of strength, the inequality of power and the incompatibility of objectives that marked the relations between the imperialist powers and the colonised peoples remain to this day. It is not necessary for us to elaborate further on this to those who are gathered here and have to contend with its disastrous consequences daily.

The point we must however emphasise is that it is exactly in these conditions that racism thrives, as it did during the colonial period. Hence we still find current notions that at the base of the 'North-South' dichotomy lies the difference between white peoples in the North who are inventive, industrious and disciplined and the blacks in the South who are innately indolent, imitative and happy-go-lucky.

Western Europe has large numbers of so-called *Gastarbeiter* who are mainly non-European workers from the South. The jobs they do, the squalor in which many of them live, the ghettos in which they are concentrated, once more emphasise the distinction between black and white as well as the lowly position of the former and the superiority and domination of the latter.

Similarly, in the United States, one has only to see the statistics of unemployment, drug addiction, homelessness, single-parent families and so on, to realise the extent to which the black population is marginalised and serves as a living example for the most backward elements to 'prove' the assertion that to be black is to belong to a category of the human species that is less than human and which must be used as befits its status.

All of us present here know that the causes that account for the relationship between black and white, North and South, that we have been talking about, are neither bio-genetic nor socio-cultural. Rather, they are socio-economic and are therefore capable of being changed or removed. Indeed, it is the resolve to bring about 'a fundamentally just and equitable relationship between the Third World and the developed countries' that led to the emergence of such important groupings as the Non-Aligned Movement and the Group of 77.

Those who are interested in an end to racism must necessarily be concerned that these organisations should succeed. In as much as the huge nuclear arms expenditures are incompatible with development, so is the growing relative and absolute underdevelopment of millions upon millions of black people incompatible with the objective of ridding the world of racial arrogance, discrimination and tyranny.

The urgent need for a New International Economic Order has been dramatically illustrated by the famine in Africa, the international debt crisis and the collapse of the price of oil and other raw materials. The hard and continuing struggle for the New Order is fundamentally about the

redistribution of the world means of production, to bring about the economic independence of the Third World and enable its peoples to banish hunger, disease and ignorance for ever, to assert their dignity as human beings and bring fulfilment to their lives. The accomplishment of this objective would itself redress the political imbalance which threatens the independence of many nations, thanks to the extension of the infamous Monroe Doctrine by the present US Administration to cover the entire Third World.

We, the peoples who were objects of imperialist expansionism, for ever the infantile dwarfs who required the benign or brutal patronage of the white superman, in earlier times had to be liberated from the state of noble savagery. Whether this resulted in our transportation across the seas as slaves or in enslavement in our own countries, as subject peoples, was but the unfolding of the manifest destiny.

Today, still the infantile dwarfs as of yore, unable to think for ourselves, inanimate fruit ready for the picking by whosoever has sufficient strength to rule the garden patch, we are being taken under the protective wing of the United States, to save us from falling victim to an alleged communist expansionism.

Angola and Mozambique, Nicaragua and Libya, Grenada, El Salvador and Namibia are the victims of this eminently racist policy which asserts the supremacy of the interests of the United States over those of the peoples of the Third World, which presumes, as General Smuts put it, that we have neither the minds nor the political capacity to exercise the right to self-determination.

It is clear that the fate that has befallen these countries will be visited on even more of us. Over the last few years, we have seen a discernible swing to the right in all the major Western countries, with the dominant social groups infusing public consciousness with the notion that might is right. And, in good measure, we have seen the exercise of white against the black people, be it in street brawls in British or French towns or in the invasion of countries.

Apartheid in South Africa exists as the concentrated expression of the worldwide cancer of racism that we have been talking about. In our country, the ideas and practices of racism reign supreme, as they did in Nazi Germany—the essence and the purpose of state policy, the instrument to effect and guarantee the domination and exploitation of the black majority by the white minority.

Because of its high pedigree in reactionary political thought and praxis throughout the world, the apartheid system serves also as the nursery for the cultivation and propagation of the same man-hating policies which the United Nations Organisation was formed to stamp out. It is because there is today widespread recognition of this reality that there exists that important instrument of international law—the Convention for the Suppression and Punishment of the Crime of Apartheid, which defines apartheid as a crime against humanity.

We assert it as an incontrovertible truth that mankind is under an obligation to suppress and punish this crime against humanity. On the basis of the experience of our own people of the horrendous practice of racism, we can categorically state it here that this crime cannot be suppressed by means of words or by persuading its perpetrators to desist from the commission of a crime.

Racism, the theory and practice of the domination of one race by another, and specifically its apartheid expression, cannot be reformed. Like Nazism, its antecedent and sister crime against humanity, it must be overthrown and uprooted forcibly, in its totality. Those who argue to the contrary and even claim that the Pretoria regime has embarked on reform, are either grossly misled or are bent on protecting the regime of racial tyranny by seeking to refurbish its image to make it more acceptable.

In any case, a cancer cannot be its own cure. The fanatical racists who have spent more than half-a-century drawing up the blueprints of the apartheid system and transforming those theoretical constructions into the South African society we know today, cannot, at the same time, be the agents for the abolition of that system.

All they know and will ever know, is the need to maintain the system of white supremacy, and to maintain it by the use of all the violence that they can muster. Today our people are dying in large numbers, murdered on the orders of Pretoria's army and police generals. The blood-letting continues without reserve because, after all, those that are being killed are, in the eyes of the generals, lesser beings who can be disposed of without compunction, because they are less than human. Some Western governments are pleased to describe this as the maintenance of law and order!

The same mentality and objective of the defence of white minority domination, has instructed and continues to inform the attitude and policy of the Pretoria regime toward the frontline and other independent countries of Southern Africa. Its regular forces as well as its armed puppet formations have wrought untold damage especially on the peoples of Angola and Mozambique, with an enormous loss in human lives. Racism cannot accept any relationship between black and white except that between servant and master. Southern Africa will know no peace until the apartheid regime in South Africa is defeated and the system it upholds destroyed.

When the day dawns, only then will the full horror of the genocide being carried out in the Bantustans become visible for all to see. Whereas the Nazis resorted to the gas chamber to annihilate peoples they considered superfluous and no better than vermin, the Pretoria regime has used the method of death by starvation to carry out its mission of purifying the human race. The destruction of a system that has as one of its corner-stones such deliberate mass murder, is surely long overdue.

Yet the reality of the perpetration of racism in South Africa is that the

apartheid regime is supported by the same forces which, during the last century, deemed that the perspectives held out by the French and the American Revolutions were not for the colonised. The dominant forces in the major Western countries do this not despite the system of apartheid, but because of it.

They support racism because it expresses the imperative of the systems they represent, namely, to dominate, and serves their purposes as an instrument for the extreme exploitation of those who are dominated. For these reasons, they spurn our appeals for comprehensive sanctions against apartheid in South Africa, which we repeat today and urge upon the world community as the most effective means to bring about change in our country with the minimum of violence and destruction.

It was not a slip of the tongue but a frank admission of the truth when Ronald Reagan characterised the apartheid regime as an ally of long standing. His policy of constructive engagement with apartheid represents an engagement with racism that arises from the nature of imperialism—an engagement which, in the context of his goal to dominate the Third World, is constructive because it helps to strengthen the allied apartheid regime.

True to character, the Reagan Administration and others in the West, make certain whenever they address the question of negotiations to resolve the conflict in our country, that they put the supposed interests and aspirations of the white minority first. They turn their own national experiences of political change on their heads in order to serve the cause of racism in South Africa.

For example, it is argued forcefully that it is inappropriate and unreasonable for us to demand that all South Africans, both black and white, should have an equal right to elect the government of their choice—in other words, to have a system of one person one vote in a unitary state. Similarly, it is argued that it is we, the victims of the violence inherent in the apartheid system we who have to bury murdered children every day, who must lay down arms and cease our armed struggle to make negotiations possible. Countries which are proud of the armed revolutions which brought their peoples democracy are, because of their support for the racists, equally fervent in their denunciation of our armed combatants as terrorists.

Likewise, we must renounce all claims to the national wealth of our country, which we have created with our labour, because, by some queer logic, to say that the wealth of the country must be shared by all the people is, in the South African context, to threaten the human rights of the white minority.

From Washington, London, Bonn and Paris issues the call that it will be absolutely vital to safeguard the rights of the white minority. And yet from all these, which pride themselves as the centres of democracy, there is never a word about the rights of the majority—the non-racial majority! Instead, these centres of democracy are engaged in a desperate bid to find flunkys and collaborators from among the black people who will be imposed on us as our

true representatives and paid for their services, in order to preserve white privilege.

But certainly, no amount of political manoeuvring or killing of our people will blunt or stop the offensive of our masses, under the leadership of the African National Congress, to destroy racism in our country. Already the realisation is abroad among our people that victory is in sight.

It is a victory that we will use to build a truly democratic South Africa, one in which we shall abolish racism once and for all, and end the unjust and unequal relations of domination and exploitation that exist between black and white in our country today and which are expressed in the concept and the practice of apartheid.

By that means, we shall also make our contribution to the struggle for a just and equitable international political, economic and social order and add as much as we can to the construction of a new world, free from racial discrimination and oppression, free from hunger and poverty and free from the threat of the termination of life itself through the use of nuclear weapons in a Third World War.

We count ourselves fortunate that we have among our people such outstanding humanists as Nelson and Winnie Mandela, as well as others such as Albertina Sisulu, Greta Ncapai, Dorothy Nyembe, Thandi Modise, Frances Baard, Vesta Smith, Amanda Kwadi, Barbara Hogan and Marion Sparg, people who hate racism and love all humanity enough to be prepared to die in the defence of liberty of all persons, regardless of their colour or race.

We are proud that we come of a people that, like all others, is not prepared to tolerate evil and acquiesce in the perpetuation of tyranny. In their names, we are happy to receive this eminent prize. We thank the Third World Foundation and all who are associated with it for having so honoured us. This prize will serve as a further spur for us and, we are certain, for the rest of humanity, to redouble our efforts to free all the political prisoners in our country and to liberate the millions of our people who are held hostage by a racist clique.

IN MEMORIAM

RAÚL PREBISCH
1901–1986

Dr Raúl Prebisch, the renowned Argentine economist, who won the first Third World Prize in 1980, died on 29 April 1986, near Santiago, Chile, at the age of eighty-five. The Third World has lost a fervent champion, and the world at large has lost an innovatory scholar.

Raúl Prebisch maintained that the cause of Latin America's underdevelopment was its position in the periphery of the world economy, which resulted in unequal terms of trade and a chronic deficit in its balance of payments. He proposed protectionist policies to stimulate industrialisation—'inward development'. His pioneering work formed the basis for dependency theory—a school of thought which effectively dominated Latin American economic thinking until the mid 1970s. Under Dr Prebisch's leadership, these ideas gave shape to concerted demands by developing countries for a New International Economic Order, notably under the auspices of the United Nations Conference in Trade and Development (UNCTAD). He was a passionate advocate both of co-operation among developing countries, and of regional economic integration within Latin America.

Born on 17 April 1901, in Tucuman, Argentina, Raúl Prebisch was educated at the University of Buenos Aires, where he completed his doctorate at the age of twenty-two, and became Professor of Political Economy in 1925. He taught at the University of Buenos Aires until 1948, and during this period occupied a succession of posts in Argentina's public affairs, including: Deputy-Director of the Department of Statistics (1926–7); Director of Economic Research at the Banco de la Nación (1927–30); Under-Secretary of Finance (1930–2); Adviser at the Ministries of Finance and Agriculture (1933–5); organiser and first Director-General of the Central Bank of Argentina (1935–43). In 1948, following disagreements with General Perón, he was obliged to seek exile abroad.

Extending his career into the realm of international affairs, Raúl Prebisch became Executive Secretary of the UN Economic Commission for Latin America (CEPAL) (1948–62), and was Director-General of the Latin American Institute for Economic and Social Planning (1962–4 and 1969). During this time he published his influential work, *The Economic Development of Latin America and its Main Problems* (1949) and fostered the creation of the Latin American Free Trade Area (LAFTA) and the Central American

Common Market (CACM). In 1964, his contribution to the establishment of the UN Conference on Trade and Development (UNCTAD) as a standing body was recognised in his appointment as the first Secretary-General of UNCTAD, a post which he held until 1969. In 1973 he was appointed adviser to the UN Secretary-General on development problems, and acted as the Under-Secretary General responsible for UN emergency operations designed to assist those developing countries most affected by the 'oil price crisis'. He became Director of *CEPAL Review* (Santiago, Chile) in 1976, and, ending his exile in 1984, with the installation of democratic government in Argentina, returned as adviser to President Raúl Alfonsín.

South Africa's external debt crisis*

In London on 20 February 1986, an extraordinary meeting of bankers approved, in principle, terms for rescheduling outstanding debts owed by South Africa to foreign bankers. Since the end of the 1970s the world has seen many countries enter into such negotiations on outstanding debts and agree 'rescheduling' terms with their bankers, but this meeting fully deserved the special attention it received, for South Africa's debt crisis is unique.

Its outstanding special feature is the dominant role played by political developments; the impasse of apartheid, the fragmentation of the forces that traditionally bolstered it, and the prominence of the anti-apartheid forces. Most countries' debt negotiations involve some political element and are shaped by the interplay of domestic and international political forces. In some cases these have been very prominent. The rescheduling of Argentina's debt after the Malvinas/Falklands war and of Poland's after the announcement of martial law have been the most notable precedents. The negotiations over Brazil's, Peru's, Mexico's and other countries' external debts in the first half of the 1980s have also been strongly influenced by political developments in those countries. Nevertheless, the exceptional significance held by political developments makes South Africa's debt crisis a special case.¹

Since the problem became acute in the summer of 1985, the politics of black township revolts, black trade union unrest, African National Congress (ANC) actions, President Botha's contradictory stance on reform and anti-apartheid sentiment in the US and Europe determined its course. In October 1985 the *Sunday Times* reported 'Businessmen and bankers inside and outside South Africa are united in believing that the crisis and its resolution are political not economic'² and they appeared

* This article is based on the author's work carried out at the Open University within the Financial Studies Research Group and the Development Policy and Practice Research Group.

¹ Although commentators emphasise the political factors and note that in 1985 South Africa had a surplus on current account enabling it to service its debt, 'normal' economic factors were also significant. The current account had been in deficit over several years and, as outlined below, other economic problems were serious.

² *Sunday Times* (London) 1 September 1985.

largely correct, at least regarding its immediate causes. In 1985 the debt crisis emerged not because of an immediate shortage of export earnings with which to service the debt, as with many other economies, but because of foreign creditors' reactions to the State of Emergency declared in July 1985.

A second special feature of the crisis was the nature of the debt itself. When Third World countries have been forced to reschedule their liabilities, the debts at the core of the problem have commonly been 'sovereign debt', the direct or indirect liabilities of the state, and most have been medium-term loans that, as a result of economic circumstances, the state has found it difficult to service. By contrast, South Africa's problems centred on the renegotiation of credit to private enterprises and a high proportion of this credit was short-term credit arranged through foreign banks lending to South African banks. The significance of this type of debt over recent years had, in turn, arisen largely as a result of political pressures against more 'regular' credit facilities.

The third unusual feature of South Africa's debt crisis has been the appointment of an 'intermediary' to produce a solution (at least a temporary one) instead of the usual negotiating machinery. This, too, was prompted by the political sensitivity of the issue, although some bankers now feel that it may become a model for other countries with debt problems.

Although South Africa's debt problems are unique in these ways, there are, too, several elements that are common to many countries' experience. Although (following austerity measures in 1984) the current account of the balance of payments has been in surplus, the economy has suffered a severe recession like that which has compounded the difficulties of other debtor nations. Although the international banks have been subject to pressure from their shareholders and depositors against supporting apartheid, they have largely been as much influenced by normal considerations of banking prudence. And although their central banks are sensitive to political and diplomatic problems, their concerns in the debt negotiations have been to prevent disruption to the international banking system.

In this paper I describe the development of the debt crisis over seven months, from July 1985 when South Africa declared a State of Emergency in the face of black rebellion to the end of February 1986 when the leading banks met the 'mediator' in London to agree a temporary solution. I then consider the relative roles of the

characteristic political and economic factors and conclude with an assessment of the future role of the debt problem.

Economic impact of the state of emergency

On 20 July 1985 the government of South Africa declared a State of Emergency under which it detained hundreds of anti-apartheid activists (who claim to have been tortured in many cases), banned independent media coverage of clashes and gave *carte blanche* to the security forces. It was an attempt to quell the unrest in which some 450 people had been killed by police, rioters and ANC militants in the previous ten months. Above all it was an attempt to break the multiracial United Democratic Front, a broad-based front of popular organisations generally supporting similar aims as those of the ANC.

Similar political crises had had dramatic economic effects; the 1960 State of Emergency imposed after Sharpeville was followed by a severe, but temporary outflow of foreign capital and drop in reserves and the 1976 Soweto riots also led to an outflow, especially of short-term capital. But in this case the authorities took the view, at least in public, that the emergency would have no financial effects: the Governor of the Reserve Bank (central bank) Gerhard de Kock 'said he did not think the [emergency] measures would materially affect the economy . . . He did not see a net increase in capital outflow.'³ This public confidence was misplaced, for a financial crash developed in the following days. It was prompted by the twin shocks of the State of Emergency and the French government's announcement, a few days later, of restrictions on French investment in South Africa.

The crash was felt principally on the Johannesburg Stock Exchange and the foreign exchange markets as investors switched money out of the country. In the week after the emergency measures were announced the market value of shares on the Johannesburg Stock Exchange fell by 11 billion rand with brokers describing the wave of selling, principally from the US, Britain and France, as a 'bloodbath'.⁴ In particular, there appeared to be a big move out of gold shares into similar investments in Australia and Canada (although this was moderated by the fall in the exchange rate of the rand which bolstered the profit expectations of gold companies). The gold mines share index fell seventy-two points in

³ *Citizen*, (Johannesburg) 23 July 1985.

⁴ *Star* (Johannesburg) 28 July 1985.

a week to a three-year low of 332. The panic gathered during the week with increasingly hectic selling; the number of bargains struck was estimated at some 3.5 million per day at the start of the week but at over 5 million on Thursday and Friday.⁵ The flow of money out of the country pushed the exchange rate of the rand down to 43.5 US cents by the end of July from the price of 52 US cents at which it had stood at the beginning of the month.

The sharp sales on the stock market and foreign exchanges were not themselves mainly withdrawals of foreign loans, i.e. credit from abroad. But they were stimulated by fears that the political crisis signalled by the State of Emergency and the French measures would lead major banks to withdraw lines of credit from businesses in South Africa. A large proportion of international banks' loans to South African industry was due for repayment at the end of August and the panic in the last week of July was fuelled by rumours that Chase Manhattan, Citibank, and some others would refuse to renew those loans.⁶ These rumours accentuated the fall in the rand as firms rushed to buy dollars (sell rands) forward for delivery in a month expecting they would need the dollars to repay their unrenewable loans. Indeed, the truth of the rumours was quickly proved when Chase Manhattan confirmed it would not roll over its loans to the private sector (several years previously the same bank had withdrawn from lending to the South African state). Other banks followed, with Barclays announcing in mid-August that it planned to reduce its South African interests.

Whether or not the government believed its own public pronouncements that the State of Emergency would have no economic effect, there is no doubt that the financial crisis was severe. Business and other interests combined to press for action to be taken to prevent it worsening. Three options were under discussion: a moratorium on debt repayments; exchange controls on outflows of capital and price disincentives in the form of a two-tier exchange rate; and political reforms to satisfy foreign bankers. The first two were strongly out of favour with banks and business because, to different degrees, they would reverse the recent years' trends toward increased freedom for markets. All hopes were pinned on the third option, political reforms. As a result, the speech which President P W Botha was to make on 15 August 1985 assumed great significance, but in the end it was

⁵ *Cape Times* (Cape Town) 29 September 1985.

⁶ *London Standard*, 31 July 1985.

inadequate and the least favoured options (debt moratorium, controls and a two-tier exchange rate) had to be adopted.

From Rubicon speech to debt freeze

Mr Botha's speech on 15 August was widely promoted beforehand as an announcement of major reforms beginning the dismantling of apartheid, a 'crossing of the Rubicon'. Since a large proportion of short-term foreign credit to the private sector was due for renewal at the end of August it was expected to attempt to offer enough reforms to satisfy those bankers. In the event, it made no real offer of significant political progress, it was strongly criticised by business interests and the discrepancy between the expectation and the outcome precipitated a second phase of the financial crash that had started at the end of July.

The immediate effect of the 'Rubicon' speech was that early the following morning the rand fell by 20 per cent on the Johannesburg foreign exchange. It declined from 45.3 US cents to 38.5 cents before recovering to 42 US cents. Financial interests remained strongly opposed to controls over outflows of money or a debt moratorium, arguing that exchange controls would be ineffective and that if there were restrictions on debt repayments 'this country's credit rating would dive and the capital we need to process the raw materials we produce and sell abroad would dry up.'⁷

Business and finance continued to see some type of reform as the main solution and were strongly critical of the President's failure to deliver even serious promises of any. In a joint statement the two largest business associations, Die Afrikaanse Handelsinstituut and the South African Federated Chamber of Industries expressed regret that 'at this time of crisis, the State President, in addressing the world at large, was not more specific in pointing the nation more positively in the direction of reform and national reconstruction.' The financial newspaper *Business Day* argued in an editorial that if Mr Botha 'cannot perform better than this . . . then we believe the time has come for him to depart.'⁸ Many observers felt that these developments had 'effectively ended the close alliance between government and business forged by Botha soon after he came to power in 1978.'⁹

⁷ *Business Day* (Johannesburg) 17 August 1985.

⁸ *Business Day* (Johannesburg) 16 August 1985.

⁹ *Guardian* (London) 24 August 1985.

In the absence of reforms it became clear that the debt due for renewal at the end of August would not be renewed and in the absence of financial controls this led to a further flight of money out of the rand and into foreign currencies. By 27 August the rand had reached a record low of 34.8 US cents (closing at 35.6). In the third quarter of 1985, a large increase was recorded in dividend payments abroad by foreign-controlled companies repatriating past, undistributed profits, and, after having been reduced in the second quarter, net capital outflows returned to and exceeded the high levels of the first quarter of 1985.

The government was left with no alternative but to take actions which appeared to be panic measures but, upon closer examination seem to have been carefully prepared. On 27 August the authorities suspended all trading on the Johannesburg Stock Exchange and all foreign exchange dealing until 2 September. The next day the Governor of the Reserve Bank flew to London, New York and Washington with no announcement of the purpose of his trip. It was believed that he wanted to obtain the support of the Bank of England and the Federal Reserve Board for special credit facilities, in particular a swap of dollars for gold,¹⁰ although such a swap arrangement could only raise some \$750 million while the short-term debt falling due for renewal was estimated at \$14 billion. No such deal was arranged, nor was the trip successful in persuading commercial bankers to renew credit lines. His mission only served to emphasise the isolation of the South African government if it did not seriously reform apartheid, or, at least, resolve the difficulties that its allies in the US and UK had in supporting it. But the authorities sought to hide this by claiming subsequently that the journey's purpose was only to explain to the UK and US what steps the government and Reserve Bank themselves intended taking.

These emergency steps were announced on 1 September 1985 and consisted of a debt moratorium or temporary freeze and a two-tier exchange rate supported by foreign exchange controls.

Debt freeze and exchange controls

The emergency measures attempted to stem the flight of the two main types of international capital in South Africa, bank loans and money invested in the stock exchange. Bank loans were to be subject to a moratorium or debt freeze. An exodus of investment funds was to be

¹⁰ *Guardian* (London) 24 August 1985.

discouraged by establishing a two-tier exchange rate supported by exchange controls.¹¹

The *debt freeze* halted all repayments of capital on foreign loans for four months (until the end of 1985) but interest payments would continue to be made. The Minister of Finance, Mr du Plessis, said that the relevant interest payments amounted to no more than 6 per cent of the country's annual export earnings and could be met easily.

The debt freeze applied to loans through the banks, suspending repayment of \$14 billion of short-term bank debt. It extended as far as preventing repayments of loans by the foreign branches and subsidiaries of South African banks. This was especially significant because some South African banks, in particular Nedbank, the third largest, had been actively operating in New York and other foreign centres.

It is notable that the debt freeze was focused on bank loans while repayment of other types of loans was unrestricted. These included repayments on maturity of South African public sector bonds quoted on foreign stock exchanges or privately placed notes; debts to international financial agencies; debts guaranteed by foreign governments and their export credit agencies; and the foreign debts of the Reserve Bank including those arising from gold swaps.

The *exchange rate* and *exchange controls* distinguished between current account and capital account foreign exchange transactions. Current account imports and exports of goods and services would occur at a 'commercial rand' exchange rate which the Reserve Bank itself would manage. Sellers of shares or other assets, on the other hand, would only be able to convert the rand proceeds into foreign currencies at the 'financial rand' exchange rate. That rate would be determined by free market forces or, in other words, the outflow of money from the stock market seeking safety abroad (net of any inflow) without the authorities attempting to manage the rate. Controls would be administered to ensure that foreign exchange required for capital export was not acquired at the commercial rate.

The plan was that in the circumstances of 1985 the financial rand would be lower than the commercial rate; the current account surplus combined with Reserve Bank purchases of rands to support their price would make the exchange rate of the commercial rand relatively high while the flight of capital would depress the price of the financial rand. The low financial rand would discourage the flight of capital for it would

¹¹ Speech by Mr B du Plessis, full text in *Business Day*, 2 September 1985.

lower the foreign exchange value of each rand obtained by selling shares. Some believed that by the same token making shares 'cheap in terms of foreign currencies, the measures should encourage a new inflow of capital eventually.'¹²

These foreign exchange measures were a return toward a system of controls and restrictions that had been relaxed only two and a half years earlier. In February 1983 South Africa had abolished exchange controls on transactions by non-residents and ended the distinction between the commercial and financial rand. In previous years, the financial rand had fluctuated at a discount of between 2 per cent and 40 per cent below the commercial rand. They were unified partly as a general move, supported by business and bankers, toward greater 'normalisation' of South Africa's position in the world economy and partly as a result of pressure toward increased market freedom from the IMF which had agreed stand-by credit and other credit up to SDR 1 billion in 1982. The unified rand began at 88 US cents in February 1983 with the Reserve Bank managing the rate, and it was allowed to float in September 1983, falling to well below half its initial value by the time the new restrictions were imposed.

Debt negotiations and attempted stabilisation

When the foreign exchange market reopened on 2 September 1985 the new measures appeared to have halted the panic which had pushed the rand down to around 35 US cents. The exchange rate rose sharply in 'euphoric' trading. But after having climbed to over 41 US cents it crashed back to 37 US cents on Thursday, 5 September. The violent ending of a major strike at Gold Fields of South Africa had undermined the precarious confidence of the markets.¹³ This was a graphic illustration that, of the three types of measure that had been under discussion in financial circles since the July State of Emergency (controls on capital outflow including debt moratorium, two-tier exchange rate and political reform) political stabilisation was the

¹² *Daily Telegraph* (London) 29 August 1985.

¹³ The separation of the financial rand and commercial rand meant that pure capital flight could not cause the latter to crash, but, as in all such arrangements, current account and capital account transactions are not completely separable. 'Leads and lags' are the main way in which current account transactions can disguise short-term capital movements. If, for example, importers expect a fall in the rand (rise in the dollar) they will buy dollars earlier than otherwise while exporters will give longer credit. Such leads and lags were instrumental in the rand's fall at the beginning of September.

fundamental prerequisite for financial stabilisation. It was unlikely that political reforms could bring political stability but Botha's 'Rubicon' speech had not even promised a serious attempt at reform.

The problem of South Africa's foreign debt was even more strongly dominated by political considerations than the stability of the foreign exchange market was. The overseas banks whose assets had been frozen by the debt moratorium were not willing to be seen to negotiate directly with South Africa over repayment of existing debt. Political pressures in the US, such as the decision of several bodies to withdraw funds from banks that lend to South Africa, had precipitated the decision of Chase Manhattan and others not to renew loans falling due at the end of August, and the same pressures prevented them from negotiating a solution with South Africa. Following the discussions Mr de Kock held with the Bank of England, the Federal Reserve, and commercial banks at the end of August, South Africa's debt freeze package included a measure designed to surmount this difficulty. Instead of direct negotiations or the alternative of simply stating its terms to the bankers on a 'take it or leave it' basis, South Africa would appoint an 'independent mediator' to devise a plan for eventually repaying the debt.

The person named to this post was Dr Fritz Leutwiler who in June 1985 had become head of the Swiss industrial multinational, Brown Boveri. His strong credentials for the task stemmed from his record as the former President of Switzerland's central bank and chairman of the Basle-based Bank for International Settlements, an international body which in many respects acts as the central bank to central bankers. Most important was the experience he had gained in Third World debt negotiations. The people with whom Dr Leutwiler had to deal were, on one side, Dr Chris Stals (Director-General of South Africa's Reserve Bank) who chaired South Africa's Standstill Coordinating Committee and, on the other, the representatives of thirty major international banks with loans outstanding. In addition, another 230 banks were smaller creditors and any proposals had to take them into account too.

The mediator's round of discussions (calling them negotiations was abjured) did not produce results within the four-month period of the freeze. The South Africans wanted the banks to accept a long repayment period for outstanding short-term loans, effectively transforming them into medium-term credit. Several leading banks wanted immediate repayment of outstanding debt and no commitment to future loans. Above all, the banks wanted a commitment to political

reforms although these were not specified, a lifting of the State of Emergency and the release of Nelson Mandela were believed to be critical measures of that commitment.

Lack of progress became apparent relatively early. Although it was clear that the lack of new credit facilities from banks as a result of the freeze was causing a severe liquidity squeeze on industry (with importers, unable to obtain their usual 90-day credit, having to pay cash with their orders).¹⁴ On 15 November South Africa let it be known that it expected to extend the debt freeze.¹⁵ The Governor of the Reserve Bank, Dr de Kock, admitted that tangible evidence of political reform was a precondition for debt rescheduling. He 'hinted that this message had finally reached the Government after direct warnings from Dr Fritz Leutwiler' and predicted there would be 'political and constitutional reforms that would go far enough to win the support of moderate opinion, black and white' in South Africa and some African states.¹⁶ Whatever reforms were envisaged their preparation required time and on 10 December 1985 South Africa formally extended the debt freeze until the end of March 1986.

The extension to the freeze was due not only to the time needed to prepare a political package; in addition the two sides seemed to remain a long way apart over the technical, financial details. At that stage, South Africa had put forward proposals for converting the \$14 billion short-term debt due the previous August into medium-term debt. No repayments would begin on it until phased instalments started in 1990 and the repayment date on other debt (which had not yet fallen due) would also be put back several years. As part of its moves to strengthen control over foreign exchange it transferred the frozen loans from the commercial banks to special accounts in the Reserve Bank and it paid interest of only $\frac{1}{4}$ per cent above the international rate (LIBOR) on them.¹⁷ While many of the foreign banks said they wanted immediate repayment, they also wanted a higher interest rate as long as their funds were blocked, and with more general objections too they rejected these proposals.¹⁸

¹⁴ *Financial Mail*, 25 October 1985; South African Reserve Bank, *Quarterly Bulletin*, December 1985, pp 12-13.

¹⁵ *Financial Times* (London) 16 November 1985.

¹⁶ *Financial Times* (London) 27 November 1985.

¹⁷ Other measures included greater control over current account transactions in order to regulate leads and lags.

¹⁸ *Financial Times* (London) 11 December 1985.

Rubicon II and partial agreement on debt

During the extended debt freeze the State President, opening Parliament on 31 January 1986, did make a major speech in an attempt to meet the requirement for political reforms and it was followed on 20 February by a meeting that appeared to yield some agreement on technical financial terms. But neither of these developments has proved to be enough to settle the debt crisis.

Botha's January 1986 speech contained promises of future reforms which, since they were presented as moves toward the dismantling of apartheid, led to it being called 'Rubicon II', the second attempt at a step that was balked at in August. In fact, the promised reforms were seen as too qualified to be meaningful. Blacks were to be offered an advisory role in legislation through a new 'National Statutory Council', but this would never be accepted by the African National Congress, the United Democratic Front or other anti-apartheid organisations and was thus irrelevant to the demands of the black population. The 'pass laws' or 'influx control' mechanism which had been a cornerstone of apartheid were to be repealed, but they were to be replaced with new legislation to police people's movements through identity cards. The speech promised to release Nelson Mandela, but only on condition that the USSR released Scharansky (which it did soon after, apparently as a result of quite separate negotiations already in progress) and Angola released a South African soldier.

The promises of 'Rubicon II' had been relayed in advance to leading bankers and enabled them to say that they could negotiate a temporary 'informal' rescheduling of the \$14 billion debt frozen the previous August. However, they were insufficient to allow them 'to drop their opposition to a full scale re-scheduling of the country's foreign debt.'¹⁹ In other words, they could not be seen to renegotiate the rest of the outstanding debt (even that which falls due in 1986) or to arrange significant new credits. But the sign of some progress toward regularising the \$14 billion frozen debt was enough to satisfy the markets. Whereas August's 'Rubicon I' was followed by panic on the foreign exchanges, after this speech the rand closed unchanged at 43.8 US cents and within a few days had risen to 45 US cents, and maintained its strength in the following month.

The ability of 'Rubicon II' to provide the bankers with a strong

¹⁹ *Financial Times* (London) 1 February 1986.

enough prospect of reform was, however, soon jeopardised by events. After a few days for analysis, Western commentators assessed that the promised reforms were not fundamental.²⁰ Their weakness was underlined by the rapidity with which Botha criticised his Foreign Minister for saying that apartheid was being dismantled and a black President was foreseeable. It was demonstrated most effectively by the continuing violence, rebellion and repression that marked the country under the State of Emergency. And the political impasse was heightened by the call the ANC and Bishop Tutu made on the bankers to refuse to bail out the government. But despite this the banks and the South African government became sufficiently close on their attitudes toward the debt freeze to enable the mediator to put new proposals to a London meeting of the leading banks on 20 February.

The London talks established a 'broad consensus' between South Africa and those banks (which themselves had advanced some 70 per cent of the country's international bank credit). The plan agreed in broad principle had three key features. First, there would be a further year's extension before repayment of some \$10 billion of frozen short-term debt was required. Thus, the repayment of that amount of debt, originally due in August 1985, would be delayed by at least one year and seven months, and higher interest rates would be paid on it. Second, South Africa would make a down payment of \$0.5 billion starting in April 1986 in respect of the credit it owed. Third, the plan was to be seen as a 'short-term interim solution'; there would be a review of South Africa's economy in Summer 1986 and full-scale discussions in February 1987 with a view to a full restructuring of South Africa's debt.

The Leutwiler plan was agreed in broad principle and a technical committee of twelve banks was established to work out the details.²¹ By the beginning of March, however, it was clear that there was disagreement on the details and there would be difficulties in achieving a full agreement by the end of March deadline. Some leading banks wanted a greater immediate repayment than the \$0.5 billion proposed. Even before the London meeting they had argued that the recent fall in the price of oil and rise in the gold price would double South Africa's

²⁰ A Robinson, 'Botha aims to modernise apartheid, not kill it', *Financial Times* (London) 6 February 1986.

²¹ The technical committee included the following banks: Barclays, National Westminster, Standard Chartered, Credit Suisse Union Bank of Switzerland, Swiss Bank Corporation, Commerzbank, Deutschesbank, Dresdner Bank, Citibank, Manufacturers Hanover and Morgan Guaranty.

surplus on current account in 1986 from the \$1.5 billion Pretoria estimated to almost \$3 billion and this would permit a larger down-payment. Others wanted the Leutwiler plan to be agreed for longer than one year, presumably to delay the necessity of a review and contentious negotiations. Most problematic of all was the fact that unlike most countries' rescheduling agreements, the Leutwiler plan was to be implemented through each bank making an agreement with each debtor on a bilateral basis. This raised the possibility that one creditor may arrange a more advantageous deal than its competitors.

Even if the thirty leading banks could agree a detailed plan overcoming these problems, there was little time available to persuade the other 230 smaller creditor banks to accept the terms before Pretoria's unilateral debt freeze expired at the end of March 1986.

Whether or not an agreement was in place by the end of March it was not any sort of end of the problem; even for the most optimistic bankers it was an interim step. Under white minority rule, South Africa's debt crisis would reappear time and again in future months, for it had been forced into the open by two continuing but opposing forces. international bankers' difficulty in supplying new credit while under pressure from shareholders and depositors, and South Africa's need for foreign credit because of its modern economic integration with the international economy. The debt crisis has become a key and recurring element in the political and diplomatic manoeuvring around a weakened apartheid. In order to judge its future significance it is necessary to consider its present character. The most important questions concerning the crisis that unfolded from Summer 1985 are first, whether the crisis was wholly political rather than also reflecting underlying economy factors, and second, to what extent were the banks' actions determined by political pressure rather than financial considerations. I discuss these questions in the following paragraphs, arguing that, although political factors were important in each respect, more traditional economic and financial considerations had a strong effect. The many commentaries that presented the problem in political terms alone are misleading.

Economic determinants of the crisis

The crash of the rand and of stock exchange prices initiated the crisis in July 1985 and it turned into a debt crisis when banks refused to renew the credit expiring in August. These were both cases of investors

dramatically attempting to switch funds out of South Africa and much emphasis has been placed on their character as responses to political events. The imposition of a State of Emergency, the impact on sentiment of the French government's restrictions, the political pressure on US and UK banks arising from shareholders and from depositors such as New York State withdrawing funds from pension funds and banks with South African business have all played important roles, which, in turn, derived from the fact that the liberation struggle inside the country had reached a new stage. But South Africa's economic problems were growing and, although the country in 1985 was not running balance of payments deficits which made debt servicing impossible (as were Latin American borrowers) the imbalances in the economy predisposed it toward the financial crisis that occurred and, at one level, caused it.

South Africa's economy is dominated by gold-mining and manufacturing. Although other sectors, particularly agriculture, are very large and account for a high percentage of employment, gold and manufacturing are the key sources of profit and the most sensitive links between South Africa and the world economy. Moreover, their fortunes relate directly to urban conditions and organised black labour. In the first half of the 1980s the earlier strength of both these sectors collapsed. The world price of gold dropped from its record of \$850 per ounce to below \$300 at one point in early 1985. The index of the manufacturing sector's output collapsed from 135 at the start of 1982 to 117 during that year (recovering slightly in 1983) as South Africa's exports, despite the low prices achieved through using cheap black labour, were slowed by the world recession. As a consequence of falling gold prices, world recession, and, in the early 1980s, high oil prices, the balance of payments was severely in deficit in 1981, 1982, and 1984. In 1985 the balance of payments current account moved into a substantial surplus following austerity measures taken in August 1984 when the authorities increased bank interest rates from 22 per cent to 25 per cent and imposed controls on hire-purchase and other credit. The severity of the squeeze was indicated by the high cost of credit in real terms, for inflation was then at 12 per cent.

The austerity measures helped the balance of payments but further depressed manufacturing output and increased unemployment. It was estimated that in 1985 black unemployment was approximately three million. From the point of view of stock exchange investors holding shares in manufacturing or foreign creditors having lent to those firms, confidence was shaken by the effect of the squeeze on company profits

and liquidity. This was one of the factors causing an accelerated outflow of capital in the first half of 1985 and it was pushing foreign banks toward refusing to renew their short-term loans even before the political situation worsened.

A related economic factor was that South Africa's international debt had become highly unbalanced and difficult to sustain even under the most neutral financial criteria. Since the beginning of the 1960s the proportion of loans to equity investments had increased sharply and of these loans a high and increasing proportion were short-term bank loans. Thus, whereas the ratio of interest payments to dividend payments abroad was 17 per cent in 1965-9, it had risen to 81 per cent in 1980-83, and at the end of 1984 40 per cent of the interest-bearing foreign debt was short-term. A high proportion of the debt was accounted for by bank debt and, at the end of June 1984, 66 per cent of these liabilities to banks were short term (compared with an estimated ratio of 44 per cent for 'comparable developed countries'). The most telling statistic was the Reserve Bank's estimate that at the end of 1984 short-term debt (with an original maturity of less than one year) was \$14.0 bn while longer-term loans outstanding were \$10.3 bn.

Many Third World countries also borrowed considerable amounts from banks in the late 1970s and early 1980s (which became unsuitable for balance-of-payments reasons) but their predominant form of credit was medium term rather than short term; South Africa was particularly unusual in that its bank borrowings were not contracted by the state (or state guaranteed). The high proportion of short-term debt was mainly incurred in the 1980s by South African banks borrowing dollars on the essentially short-term international inter-bank market, converting them to rand and lending them to local companies. At the end of 1984, private borrowers accounted for about 60 per cent of the foreign debt.²² From the point of view of Western banks, 'lending to South Africa through the inter-bank market provided a near perfect disguise',²³ since transactions on the inter-bank credit markets are never published. But it also meant that South Africa's debt structure was highly unstable and increasingly so; the short term : long term ratio of 14 : 10.3 at the end of 1984 was worse than the 1983 ratio of 12.9 : 11.1.

This debt instability combined with the Reserve Bank's policy toward the foreign exchange market to increase the volatility of the exchange

²² Data from *Economic Monitor*, Old Mutual, July 1985 and South African Reserve Bank, *Quarterly Bulletin*, December 1985, p 66.

²³ *Daily Telegraph* (London) 7 September 1986.

rate. Since 1983, when the rand had been allowed to float, the Reserve Bank had operated a spot-swap technique for buying and selling dollars on the forward market. The fall in rand (by 47 per cent) in 1984 made this policy expensive, and it also made the Reserve Bank seek a new policy in order to support the rand. Thus, in January 1985 it changed the operation of the forward market by also carrying out outright purchases and sales at different rates from the spot-swap rates. This new system, however, created many problems, one of which was that it could increase the instability of the spot rate by increasing the Reserve Bank's spot purchases of dollars at crucial times to meet its forward obligations.²⁴ When the foreign exchange panic broke in mid-1985 this was an additional source of instability; from a longer-term point of view the unsatisfactory nature of the techniques adopted under a system of floating exchange rates comprised a strong economic pressure toward adopting a two-tier exchange rate with a managed commercial rate.

Bank prudence and financial criteria

Although the economic developments I have outlined have interacted with political events it is commonplace to see the debt crisis as essentially political. This broad judgement is open to several interpretations. One is that the international banks, subject to political pressure from depositors and shareholders, and, perhaps, wanting to establish their good standing with a future ANC government in South Africa, have taken an essentially political stance. On this view the banks have cut their loans in order to speed apartheid's end, and statements by bankers themselves have supported this interpretation.

In announcing Barclays' results for 1985, the group's chairman 'said the bank wanted to see "changes which confirm an end to the bankrupt policy of institutionalised racial discrimination" . . . [and] added that one of the requirements it would consider a sign of good faith from the republic would be the release of the imprisoned black leader, Nelson Mandela.'²⁵ In an earlier report the *Guardian* (London) had quoted 'a considerable consensus' among British bankers and business leaders typified by the statement that 'Political rights for Africans are now on

²⁴ R M Gidlow, 'Forward exchange policy in South Africa', *South African Journal of Economics* 53(3) September 1985. It was reported that with the falling rand, the spot-swap system had cost the Reserve Bank R 2 billion losses in the year to March 1985, *Star* (Johannesburg) 22 August 1985.

²⁵ *Guardian* (London) 7 March 1986.

he agenda. In the past you could have talked about social rights or human rights alone. That is no longer enough.'²⁶ In fact, though, this view is misleading. The banks' behaviour has been consistent with the pursuit of their normal financial criteria rather than political objectives.

Banks as institutions have not seen it as their business to push for political reforms for reform's own sake. In following financial criteria bankers have had two immediate objectives: first, to protect their own assets; second, to safeguard the delicate mechanisms of the international financial system. In order to do this the banks have cooperated with Pretoria, and South Africa has cooperated with them while maintaining their different perspectives on political reform. This had led to a view that the banks' statements on reform are empty. At the time of the 20 February meeting, Bishop Huddleston, president of Britain's Anti-Apartheid Movement said agreement showed that 'the banks have decided to come to South Africa's rescue . . . [in] a political act. . . . Dr Leutwiler is little more than a mouth-piece for Botha', and Neil Kinnock, Leader of the Opposition, argued that a 'decision to allow South Africa to postpone repayments would be of great assistance and encouragement to President Botha.'²⁷

The first financial criterion, of protecting their own assets, was easily executed by the banks and other financial institutions. The deterioration in the economy, the distorted debt structure and increased political instability led them to reassess the riskiness of their investments according to the criteria, well established since the early 1970s, of political risk analysis. When the State of Emergency was declared, it was reported that 'Frost Sullivan, the New York political risk consultancy, has dropped South Africa from ranking as one of the safest of the world economies to "a par with some of the higher risk Third World countries"'.²⁸ Following normal criteria, banks and investors responded by withdrawing funds and refusing to renew credits. At a more general level their concern for reform was an attempt to protect assets by achieving stabilisation of South African society, but I shall argue below that such hopes were misplaced.

The second financial criterion, protecting the delicate mechanisms of the international financial system, was particularly relevant for Dr Leutwiler, the Bank of England, Federal Reserve and other central

²⁶ *Guardian* (London) 29 August 1985.

²⁷ *Guardian* (London) 21 February 1986.

²⁸ *Sunday Times* (London) 28 July 1985.

banks, but it also affected the creditor banks themselves. At its heart was the problem of ensuring that the inter-bank credit market was not permanently damaged. And more widely its aim was to ensure that despite the debt crisis, South Africa's large economy with its control over gold production was not cut off from the Western world's financial system.

The inter-bank market for credit is both crucial for the international financial system and usually regarded as delicate and easily disrupted. It links all major banks across the world enabling them to lend funds which are temporarily in surplus to other banks at a profit. It is informal and enables banks to borrow very large sums from other banks for short periods varying from overnight loans up to one year loans. Its survival depends on all borrowers servicing their huge debts and upon lenders not panicking and withdrawing their liquid loans.²⁹ South Africa's short-term bank debt consisted to a large extent of such inter-bank credits and they were a threat to the whole system because, instead of being made on the usual rotating basis to balance the surpluses and deficits different banks have in their liquid resources, these were contracted as an indirect means of providing core finance to companies. Ultimately, they became a real problem for the inter-bank market because South Africa froze repayments, and this was a unique shock.

In 1982 it became apparent that Brazil and other Latin American countries had also used the inter-bank market to obtain core finance; in those cases to provide the state, through the banks, with finance to cover the balance of payments deficit. When Mexico virtually defaulted on its other debts in 1982 the inter-bank market suffered a severe shock as bankers themselves withdrew their money from the vast loans to banks such as Brazil's. In South Africa in 1985 the bankers did not actually withdraw funds but the shock to the market came from the state freezing repayments. Neither Dr Leutwiler nor the banks knew whether this new type of disruption would critically damage the inter-bank market; their task was to minimise such damage. Although many countries had agreed debt reschedulings with their bankers in recent years, inter-bank credits were generally excluded from these arrangements. When South Africa's leading bank creditors agreed in principle to the Leutwiler package, bank technicians saw this as the first major rescheduling of inter-bank debt and it appeared that the

²⁹ J Coakley and L Harris, *The City of Capital*, Oxford: Basil Blackwell, 1983, pp 66-7.

negotiations had succeeded in ensuring that the world's inter-bank market could continue to function smoothly.

To avoid totally disrupting the inter-bank market it was necessary for rescheduling to be achieved in a manner which 'normalised' the positions of both borrowers and lenders. Each needed to reach a solution which offered a realistic prospect of predictable repayments of capital and payments of interest. For the banks an additional requirement was that the liquidity of their outstanding debt should be restored as far as possible (for the inter-bank market's value has been the liquidity it offers lenders). That problem was not solved at the February meeting although the possibility of converting the outstanding debt into certificates which could be bought and sold between banks was discussed and viewed favourably in that context. But both Pretoria and the banks had a mutual interest in achieving a realistic agreement on a predictable payments schedule.

An illustration of the common interest of central bankers in South Africa and other countries in ensuring that the debt issue did not put the international financial system at risk was the restraints placed on Nedbank's New York operations. This bank had taken the lead in establishing its own business abroad, borrowing actively through its New York office. There were concerns about this activity in any case, but after the debt freeze they became acute. The American authorities were concerned about the bank's ability to meet its commitments and possible repercussions on the stability of the money markets. Sharing this concern for the system the South African authorities acted to secure Nedbank's US business and management changes followed. Pretoria and leading bankers also shared a desire to ensure that South Africa was not cut off from all sources of new credit. Mr du Plessis' announcement of the debt freeze in 1985 was careful to leave several areas of international finance where 'business as normal' would be the order of the day. By excluding from the moratorium state debt and finance obtained under export guarantee schemes, Pretoria left a window through which foreign credit could be obtained in future. The leaders of the international financial system share that interest in maintaining normal provision of credit and avoiding the isolation of the country, for cutting off all its sources of finance would disrupt all the economic relations it has with the UK, US and Europe. It is not yet possible to assess the extent to which new lending continued after the debt freeze. There were net repayments of these credits according to the Reserve Bank, but they were not large and the inflows within the total are not

known. As well as reports that some firms have had difficulty in arranging trade finance, newspapers have reported that new credits have been arranged both for industry and for bodies such as the Urban Foundation which are presented as politically liberal institutions.

Assessment and prospects

Although South Africa's debt crisis is often seen in wholly political terms it arose from the interplay of political and economic developments. Its future course, too, will depend on the same factors although the more acute South Africa's political crisis becomes the more politics affects financial matters. The other side of the coin is that the debt crisis has had a significant effect on South Africa's politics, hastening the break-up of the ruling bloc's consensus, heightening the conflicts of interest within white society, and injecting a new destabilising factors into South Africa's diplomatic relations with the Western powers.

To reach an assessment of the debt issue we have to judge the way in which economics and politics affect it and are affected by it. Doing so leads to the conclusion that the regime's debt problems will have a continuing importance and be a recurring flashpoint. It would be a mistake to see negotiations such as those under Dr Leutwiler as being aimed at achieving a 'settlement'. There is no sense in which a rescheduling or restructuring can be achieved which would put the apartheid economy's external debt onto a new and sustainable footing. Instead, any agreement can only be seen as a temporary and fragile intermission; although finance is a mundanely materialist issue, bankers' agreements on it are best seen as stations of the cross for apartheid.

The unattainable character of a long-term solution results from several factors. First, instead of the principal actors—the South African regime and the banks—having well defined strategies and positions which can be the subject of negotiations, each has a strategy and interests with many contradictions and divergent interests within it. Second, the underlying political and economic factors which generated the crisis are likely to intensify. Third, and most significant, the growth of the people's rebellion and the strategic strength of the African National Congress and its military wing, *Umkhonto we Sizwe*, which have been instrumental in heightening the conflicts of interest and the political and economic crisis, will continue to determine the conditions

within which debt is located. In the following paragraphs I discuss the insoluble contradictions in the positions of the banks and the government and consider the relation between debt and the fight against apartheid. As background, I assume that the recession experienced by the South African economy in the first half of the 1980s is a mark of structural economic problems which will continue with high unemployment and reduced profitability. This may be ameliorated temporarily, as it has been in the first quarter of 1986 by international markets' reductions in the price of oil or increases in gold prices, but the structural problems remain³⁰ and are intensified by the political instability.

The banks lack a clear strategy because, at one level, they want to regularise relations with South Africa and, at another, to pull out. In the long term, even if less profitable than previously, the South African economy is such a key element of the West's international economy that banks have a strong interest in regularising its financial position. This finds expression particularly in the central banks of the US, UK and continental Europe, and among the strategically minded policymakers of the major international banks. This tendency produced the bankers' agreement to the broad principles of the Leutwiler plan justifying the anti-apartheid movement's criticism that the bankers were supporting Botha, but it is caught up in a number of contradictory forces. Bank shareholders and the supervisory agencies do not favour exposure to an economy which is now judged to be a high credit risk; this affects all banks but is especially important for the 230 or so medium and small banks who are creditors. Some banks are subject to considerable pressure from shareholders and depositors with anti-apartheid concerns. Because of such pressure, lending in the 1980s has been disproportionately to the private sector rather than the South African state, with an exceptionally high proportion being short-term credit through the inter-bank market and for technical reasons this cannot easily be rescheduled on a long-term basis. The inter-bank market's essential characteristics are its informality, liquidity and its short-term loans, but a rescheduling agreement, by its nature, goes against them. It could only exist either as a temporary patching up for want of anything better (an approach that appears to have predominated in February) or, as a longer-term basis, if there were substantial and unlikely financial innovations such as the creation of a secondary market in South African short-term debt.

³⁰ See J Natrass and Innes Gelb.

Financial markets' judgements on any economy are based on simple indicators; for example, at any one time the money supply, the current account balance, the public sector deficit are treated as key indicators. In this case 'political reforms' have been identified as a crucial measure of creditworthiness. Banks have seen progress on reforms as the one thing that would enable some reconciliation of their desire to regularise South Africa's international finance and their need to reduce the risk of lending to the country. But, in fact, that path toward solving financial problems is not very promising for the banks. One difficulty is that the banks themselves cannot specify a list of political reforms by which they can measure progress. It is indicative that before the 20 February meeting in London there was speculation that the banks would consider a document with a political preamble on desirable reforms, but they refused. Similarly, Barclay's chairman, in announcing his group's results and their intention to pull out from South African business, refused to detail desired political reforms apart from the release of Nelson Mandela.³¹ Although that demand is a remarkable advance in itself, it has become for many bankers (and politicians) a symbolic demand which substitutes for the detailed political reforms they rightly feel they could not specify. Another difficulty (the main difficulty) with the banks looking for political reforms is that reforms in themselves cannot guarantee the type of political and economic stability sought by the financial community. Indeed, substantial political and social reforms are as likely to open the way to an intensification of the popular struggle against apartheid. On that perspective, social and economic instability is inescapable until majority rule is achieved and reconstruction under an ANC government is under way, so that political reforms themselves could not solve the debt crisis.

If the banks lack a clear strategy, the South African government's own position on the debt is even more problematic. For them the debt issue is one aspect of their attempt to maintain apartheid in one form or another. Thus, 'what to do about the debt' is inseparable from the questions of what to do on the diplomatic front abroad and political, social and economic reform at home, and the Nationalist government is no longer able to have a clear, unified strategy on those questions.

In the face of each side's complexities and constraints, the manner in which the 1985 debt crisis was handled was the most favourable possible for the South African regime, and it offered great advantages to the

³¹ *Guardian* (London) 7 March 1986.

banks. Although the package was not completely tied up at the February meeting, the agreement on broad principles effectively meant that the major banks had agreed to reschedule South Africa's short-term debt for at least one year (or more than one year after their due date). Since inter-bank debt is not usually rescheduled this was a considerable achievement for South Africa, giving the regime considerable support. At the same time, the banks gained much to satisfy that element that sought to normalise South Africa's financial relations. Because South Africa appeared to declare the debt freeze unilaterally the banks were able to achieve this while presenting themselves to depositors and shareholders as wishing to pull out of South Africa and being forced into rescheduling against their will. This was reinforced by the Reserve Bank's deliberately unrealistic December proposals for a four to five year rescheduling and the banks' inevitable rejection of it in favour of more modest arrangements. And, as with any rescheduling, the banks gained increased interest rates.

This was not the only way in which the foreign banks could have reacted to the debt freeze, for another direction which the conflicting tendencies in their strategies could have taken would be to veer toward recovering their assets by pulling out rather than staying in. This did happen to some extent after the debt freeze. The Reserve Bank's *Quarterly Bulletin* for December 1985 reported that 'After the introduction of the [September] standstill arrangement, large repayments were made on loans exempted from the "standstill"'.³² But since the country's gold and foreign exchange reserves fell by only R1.5 billion in the third quarter of 1985 and much of this was accounted for by leads and lags on the current account, the net withdrawal of credit cannot have been on a large scale. In any case, net repayment of exempted loans was not the heart of the matter, the strongest action to recover the debt would have been to react to the debt freeze by freezing the assets of South Africa abroad. This strategy was proposed by three leading clergymen, Bishop Tutu, Dr Naude and Dr Boesak. They wrote to Dr Leutwiler on 8 February 1986, proposing 'that the banks should immediately freeze all South African bank balances in their books and refuse to effect any transfer instructions over these accounts' and suggesting 'that the banks should obtain court attachment of aircraft, ships and other SA assets and apply the proceeds against South African indebtedness.' It was reported that by 20 February they had not

³² South African Reserve Bank, *Quarterly Bulletin*, December 1985, p 12.

received a reply.³³ Such assets freezes have been applied elsewhere by foreign governments (most notably the US against Iran, and by the UK against Argentina). And they could have covered the debt since South Africa's total foreign assets (not including the ships and aircraft mentioned by the clerics) were some \$12.4 billion at the end of 1984.³⁴ The fact that such actions appear not to have been considered is a measure of how far the contradictions in the banks' position were weighted in favour of maintaining relations with the regime.

Nevertheless, in the months following the debt freeze, South Africa has made policy pronouncements which attempt to give an appearance of reform. The question is whether, or to what extent, foreign creditors' opinion was responsible for promoting an apparent change of heart and that requires an examination of how significant any changes have been and what their background is.

The most publicised policy statements have been Botha's address on opening the new session of Parliament on 31 January 1986, and the announcement in March that the State of Emergency was being lifted. The address promised an end to the pass laws and minor constitutional reforms; but the first is a promise of cosmetic changes since the pass laws were to be replaced by other forms of control, and the second proposal a new body which could only be rejected by the ANC. In effect, those items could not be treated as promises of reform. It also announced proposed changes in the education system. These did suggest some movement, building on the 1981 De Lange Report and the 1983 White Paper and going further than the reforms introduced in an Act of 1984. Their announcement was clearly aimed at influencing foreign creditors, but it would be mistaken to conclude that the proposed reforms were basically due to the pressure over debt; in essence they were a response to the school-pupils' rebellion.³⁵ Similarly, the lifting of the State of Emergency in March was a response to several political forces so that the debt crisis can only be seen as a small element within the whole. It was lifted because the riots and military actions had shown that it was ineffective in repressing the movement, because the 'normal' security laws give the State enormous powers, and because it alienated a range of potential allies in the business establishment and abroad (of which the bankers were only one element).

³³ *Daily Dispatch* (East London) 20 February 1986.

³⁴ South African Reserve Bank, *Quarterly Bulletin*, December 1985, p 66.

³⁵ E Unterhalter 'Seeking social stability: political responses to the De Lange Commission Report', unpublished paper, 1986.

By March 1986 the economic, political and social system of South Africa was in such turmoil and the diplomatic structure of support for apartheid so undermined that even Chester Crocker, the architect of the system of 'constructive engagement' under which the US had supported South Africa, called the insurgents 'freedom fighters'. In the context of such shifts, bankers' opinion have had only a secondary role.

Nevertheless, the debt problem will resurface. The short-term debt due in August 1985 is being rescheduled for one year with a full review before further arrangements are agreed. South Africa's medium-term foreign debt, estimated at \$10 billion in 1985, will fall due for renewal; between March 1986 and March 1987 \$1.5 billion of it is due for repayment plus \$500 million down-payment on the frozen short-term debt. And unless new arrangements are made on old debts, a flexible profitable economy requires new credits especially if the restructuring set in train by the recession and social changes is to move ahead. When debt is on the agenda it is clear that further pressure from anti-apartheid forces and solidarity movements will attempt to ensure that the South African regime is effectively isolated financially and that financial difficulties become effective financial sanctions.

JAMES PAINTER

Guatemala in civilian garb

On 14 January 1986 Vinicio Cerezo of the Partido Demócrata Cristiana Guatemalteca (DCG) took office as Guatemala's first civilian President for sixteen years, and only the second since 1954. Guatemala became the last of the three Central American countries forming the *triángulo del norte* (Honduras, El Salvador and Guatemala) in which the military have handed over formal tenure of office—but not power—to civilian rulers. A pattern had already become familiar from the Presidential elections in Honduras (November 1981) and El Salvador (March 1984), in which military or military-dominated governments were replaced by civilian 'centre' or 'centre-right' presidents, largely in order to comply with Washington's strategic requirements in the region.¹ According to the model, the new civilian regimes became 'democratic' allies of the United States, but in reality were given few powers independent of the US or the army. Although the military presence in public administration was reduced, the army retained strict control over security matters and maintained or expanded its main political *raison d'être* of defending the rigid socio-economic status quo against either the threat of popular opposition (in the case of Honduras) or already-existing strong revolutionary forces (in the case of El Salvador).

Guatemala broadly fits the general pattern in terms of the division of power and roles between civilians and the military but the political dynamic leading to the return to civilian rule was distinct from that of its neighbours. The 'external push' from Washington to hold elections was not as significant as the Guatemalan army's own perception of the need for a partial withdrawal in order to maintain the present political balance of power. This in itself is not surprising, as Washington's leverage over the Guatemalan army has been severely limited since 1977, when President Carter's human rights policy led to a fiercely nationalist right-wing backlash from many senior officers. This article

¹ For the return to civilian rule in Honduras see Latin America Bureau, *Honduras: State for Sale*, London 1985, pp 74–102, and for Duarte's victory in El Salvador, see James Dunkerley, *The Long War: Dictatorship and Revolution in El Salvador*, London: Verso; 1985, pp 233–48. Comparisons with the democratisation of the Southern Cone are not very useful: the Guatemalan elections form part of a counter-insurgency plan for a civil war that is still continuing (although at a low level of intensity); in general, the Guatemalan army have dictated the pace and terms of the return to civilian rule; and they will retain much more political power than their counterparts in Uruguay, Brazil or Argentina.

therefore focuses on the two major internal dimensions which have dictated the rationale for Guatemala's electoral process, both of which have to be placed broadly within the counter-insurgency strategy of an army which has been waging a 25-year war against the region's oldest and most resilient guerrilla movement.

First, ever since the March 1982 coup of General Ríos Montt the return to civilian rule was seen as an integral part of the army's security plan. One strong current of army thinking had always recognised the political advantages of reimposing constitutional rule (albeit in a different format to the model of the 1970s); externally this would salvage the reputation of a country regarded as one of the continent's worst (if not the worst) human rights violators, and internally it would go some way towards reconciling tensions with the tolerated political parties and reducing the legitimacy of the guerrilla forces. By 1985, the army was sufficiently confident of its political and military control over former and present areas of conflict to allow a civilian to take over the formal trappings of office, but not to permit a decisive change in its authority over security issues. Once it had become clear that none of the main parties was advocating either prosecutions for past human rights violations or reforms that would seriously threaten the landed oligarchy and the commercial and industrial sectors who have traditionally held political power, the acceptability of a civilian President was put beyond doubt. Secondly, the elections came as a much-needed palliative to what has plausibly been described as Guatemala's worst economic crisis for fifty years. A democratically elected administration was seen by the army as a necessary condition for new and expanded flows of foreign investment and bilateral and multilateral economic aid, which were regarded as the best way out of the economic decline and the increasing social polarisation, which, if it were not at least halted, could only benefit the left in the long term.

This article also briefly examines the reconstruction of the Guatemalan 'centre', the significance of the victory of the Christian Democrats, and the political spaces open to, and restraints on, the new government. Despite the ubiquitous optimism generated by Cerezo's victory (an optimism shared by the US State Department and Fidel Castro), it is hard not to conclude that the elections will once again fulfil their historical role of legitimising the status quo and will not act as a promoter of social reform.

Counter-insurgency and the search for legitimacy, 1982-5

The principal long-term effect of the CIA-engineered counter-revolution that toppled the reformist regime of Colonel Jacobo Arbenz in 1954 was to turn the Guatemalan military into the country's most powerful political force and the ultimate guarantor of a rigid socio-economic system that had been temporarily threatened by the Arbenz government. Since 1961 a counter-insurgency war has been the single most important historical determinant of the army's political role. Throughout the late 1960s, 1970s and 1980s the army had dominated successive regimes, either to pre-empt, or to deal directly with, a guerrilla or popular challenge. From 1966-70 the chosen method was to withdraw from direct rule to allow the civilian Presidency of Méndez Montenegro, but only after a pact had been signed giving complete independence to the army in its war with the Fuerzas Armadas Rebeldes (FAR) in the eastern departments. In the 1970s the method changed to the establishment of a system of closely managed 'elections', in which the former Minister of Defence would take over the Presidency from his predecessor as the candidate of an alliance between traditional right-wing and army-created parties. The general elections of 1974, 1978 and 1982 became elections for generals as the army candidate was declared the winner in the face of clear evidence of extensive fraud and mounting abstention (which rose from 46 per cent of registered voters in 1970 to 65 per cent in 1982, despite the fact that voting was compulsory).²

The model broke down on 23 March 1982 when for the first time in nineteen years sections of the military resorted to a coup to maintain power. Although the new regime under Ríos Montt immediately pledged to clean up both the electoral process and the unprecedented levels of corruption and financial mismanagement reached by the outgoing Lucas García administration, it soon became apparent that the main reason for the coup had been the high command's conduct of the civil war. In the western highland departments large numbers of Indians had become either active or passive sympathisers of the EGP (Ejército Guerrillero de los Pobres) and ORPA (Organización del Pueblo en Armas), largely as a reaction to the army's repression of their attempts to form cooperatives and other grass-roots organisations as a way out of

² A useful overview of the electoral process in Guatemala can be found in *Polemica, Elecciones en Centroamerica*, March-June 1984, pp 34-55.

their increasing impoverishment.³ By the middle of 1981 the EGP had at least four fronts in the departments of El Quiché, Huehuetenango, the Verapaces, and Chimaltenango, parts of which were described by observers as ranging from 'on the verge of insurrection' to 'no-go' areas for the army. ORPA too had stepped up its operations in San Marcos, Sololá and Quezaltenango, while the FAR had a significant presence in Chimaltenango and El Petén. By the end of 1981 there was insurgent activity in sixteen of Guatemala's twenty-two departments, and guerrilla strength had reached its peak of operational capacity. When the EGP, ORPA, and the FAR signed a unity pact together with one faction of the Communist Party (PGT-Nucleo) to form the Unidad Revolucionaria Nacional Guatemalteca (URNG) in January 1982, this was widely interpreted as an accurate indication of the seriousness of the guerrilla threat. Both the right-wing parties and large sections of the army thought that the war was in danger of being lost.⁴

What ensued was a seventeen-month period of direct military rule under Ríos Montt, which decisively shifted the balance of the war in the military's favour. This was in part due to the temporary marginalisation of those members of the high command who were more interested in the spoils of office than in winning the war, and the greater decentralisation of power towards those middle-ranking officers who were actually doing the fighting. But the real significance of the coup lay in the endorsement and implementation of an emergency counter-insurgency master plan, named the National Plan of Security and Development. This was approved by Ríos Montt on 1 April 1982, although the principles of the plan had already begun to be implemented in the latter half of 1981 under the command of Benedicto Lucas, the brother of Lucas García. For the first time a major impetus was given to the incorporation of broader economic, political and ideological perspectives into the

³ The literature on the rise of the guerrilla forces includes George Black, *Garrison Guatemala*, London: Zed, 1984, ch. 4; J Fried *et al.*, *Guatemala in Rebellion: Unfinished History*, New York: Grove Press, 1983, Part III, and Part IV, ch. 2; Concerned Guatemalan scholars, *Dare to Struggle, Dare to Win*, New York 1981. On the involvement of the Indians, see Ricardo Falla, *Quiche Rebelde*, Guatemala City: Editorial Universitaria 1978; Epica Task Force, *Indian Guatemala: Path to Liberation*, Washington DC 1984; and various articles in *Cultural Survival Quarterly* 7(1) 'Death and Disorder in Guatemala', Spring 1983.

⁴ There is considerable debate as to whether this was in fact the case. The URNG's public position is that they overestimated their own strength, while gravely underestimating that of the army and government intelligence network. The triumphalism following the Sandinista victory in Nicaragua was one factor that clearly affected their strategy and expectations. There is less debate about the army's perception of the threat. General Lobos Zamora, Chief of Staff under the Mejía government, in a speech in October 1984 estimated that the EGP alone had gained up to 260,000 'ideological sympathisers'.

counter-insurgency model. At the local level, this meant moving away from purely military responses towards addressing the basic socio-economic and political conditions that allowed the guerrillas to gain popular support. At the national level it stressed the importance of a return to constitutional rule. Points 12 and 14 of the Plan spoke explicitly of the need both to 'restructure the electoral system so that . . . there will be respect for political participation and avoidance of frustration among the people' and 'to re-establish constitutional rule in the country as a matter of urgency'.⁵ It amounted to a recognition by the new command of the benefits of a two-track policy of conducting a more 'efficient' counter-insurgency war and linking it to a return to constitutional rule, which was clearly regarded as a security issue.

The National Plan heralded one of the most savage periods of Guatemalan history. The first stage, named 'Plan Victoria '82', entailed a major escalation in military pacification campaigns against the guerrilla's civilian support base and a broadening of a civic action scheme known as '*Fusiles y Frijoles*' ('Bullets and Beans'). The scheme's principal objective was to secure permanent access to whole Indian communities by compulsory mass involvement in rural security and development programmes. The devastating effect of the purely military side to the campaign has been widely documented.⁶ 'Scorched earth' tactics and a highly calculated pattern of mass murders became commonplace. Amnesty International estimated that 2,600 civilians, mostly Indians, were killed in the first six months of Ríos Montt's regime, while other human rights organisations put the year-end figure as high as 10,000. The creation of a network of civilian defence patrols, whose membership had already reached 40,000 by September, was politically just as important. Ríos Montt succeeded in winning the military's support for the civilian patrol system largely because the programme was designed to separate the Indian civilian population from the guerrillas without creating an independent militia force (which the army feared could be used against them). Military control over the civilian patrols was only assured by a mixture of terror tactics and the linking of food handouts to cooperation with the government.⁷

⁵ George Black *ibid.*, p 190.

⁶ Americas Watch, *Human Rights in Guatemala: No Neutrals Allowed*, New York, November 1982, and *Creating a Desolation and Calling it Peace*, New York, 1983. Permanent People's Tribunal, *Guatemala: Tyranny on Trial*, San Francisco: Synthesis, 1984; Survival International, *Witness to Genocide*, London 1983; Minority Rights Group, *Central America's Indians*, London 1984, pp 15-17.

⁷ See Americas Watch, *A Nation of Prisoners*, New York, January 1984, *passim*.

Ríos Montt was slow to comply with the return to constitutional rule. The creation of an advisory 34-member Council of State drawn from a wide variety of interest groups was heralded by his apologists (including the US State Department) as evidence of his democratic credentials, but in reality it consisted of token representation and was boycotted by all the major parties. Exactly one year after the coup (and in response to at least four more coup attempts), Ríos Montt announced a 'political opening', and decreed the Political Parties Law and the Voter Registration Law and set up the Supreme Electoral Tribunal. Three months later, under pressure both from the political parties and sectors of the military, elections for a Constituent Assembly were set for 1 July 1984.

Ríos Montt was finally ousted on 8 August 1983, and was replaced by his former Minister of Defence, General Mejía Victores. The coup was not due to his lack of haste in returning government to civilians. Rather, he had alienated the business community by proposing a value-added tax; he had angered the upper echelons of the army by relying on an inner circle of junior officers and interfering with the traditional patterns of army promotion; the Catholic church hierarchy were dismayed by his aggressive style of 'born-again' Christianity; and his reluctance to support US regional plans for the reactivation of CONDECA (the Central American Defence Council) had distanced him from the Reagan Administration. However, from the beginning, the Mejía government pledged its support for a two-stage electoral timetable of withdrawal. Both stages were firmly placed within the army's annual counter-insurgency plans for 1984 and 1985, the successors to Ríos Montt's 'Victoria '82'. 'Reencuentro Institucional '84' ('Institutional Renewal '84') included an expansion of counter-insurgency operations, but also the holding of Constituent Assembly elections as scheduled, while 'Estabilidad '85' ('Stability '85') called for Presidential elections in 1985. The majority of senior officers clearly believed that the pseudo-democratic channels which had functioned in the 1970s should be reopened and the tolerated political parties be given space within them. What had changed was that they would not allow themselves to compete openly nor offer obvious support for any one candidate.

The first stage took place on 1 July 1984, when elections were held for a Constituent Assembly. The parties taking part spanned only the far-to centre-right of the political spectrum. Owing to the peculiarity of the electoral system, the DCG won the highest percentage of the vote

(15.6 per cent) but only twenty of the eighty-eight Congress seats as against the twenty-three won by the far-right MLN-C alliance (Movimiento de Liberación Nacional—Central Auténtico Nacionalista) and the twenty-one won by the centre-right UCN (Unión del Centro Nacional). The remaining twenty-four seats were shared by five other parties and one civic committee. The military did gain some internal and international acclaim both for allowing the elections to go ahead and for the large percentage (78 per cent) of the registered electorate who had voted; but many commentators pointed out not only the electorate's more likely reasons for voting, but also the 460,000 blank or spoiled papers which, at 23 per cent of the vote, would have constituted a victory in the elections.⁸ The Constituent Assembly was clearly designed as a cosmetic exercise. It was only empowered to draft a new Constitution and set the timetable for Presidential election in 1985, and it could not enact legislation or elect an interim President. By December 1984 only thirteen articles of the new Constitution's chapter on individual rights had been approved. The full Magna Carta was passed on 31 May 1985, setting the first round of Presidential election for 3 November and the (possible) second round for 8 December.

The consolidation of army control in the rural areas

In the three-year period after Ríos Montt's 'Victoria '82' the army was able to consolidate its political control over former conflict areas. This essentially low-cost strategy, to a large extent not aided by huge amounts of aid from the US, proved highly effective in addressing the 'development' aspect to the security plan.¹⁰ The sheer scale

⁸ Everyone over the age of 18 (except for illiterate women) was required to vote or face a fine of 50 quetzales. The failure to receive a registration stamp on an identity card often gave rise to suspicion and created legal problems (like the denial of a passport). See Inforpress Centroamérica, *Guatemala: Elections 1985*, Guatemala City, October 1985, pp 25–6.

⁹ Mejía Victores had made this explicit one week before the elections: 'The Assembly does not have the authority to elect a provisional President, and the elected deputies . . . cannot pass substantive measures. We must be very clear: The people are not granting authority to the Constituent Assembly.' Quoted in *Le Monde Diplomatique*, Mexico City, January 1986.

¹⁰ Between 1977 and 1984, the Guatemalan military received no direct bilateral military aid from the US; in 1985 US \$300,000 was granted for military training, and US \$10.3 million was projected for the fiscal year 1986. However, trucks, jeeps and helicopters worth more than US \$30 million were sold to the Guatemalan army by US companies over the same period. USAID indirectly contributed several million dollars to the army through its grants to the National Reconstruction Committee and BANDESA, the rural development bank. Military aid support from Israel, Taiwan, South Africa and pre-Alfonso Argentina largely replaced US assistance.

evastation and terror left by the initial stages of 'Plan Victoria' greatly facilitated the process.¹¹ 'Firmeza '83' ('Stability '83') marked the decisive shift of emphasis from purely physical repression (which still continued) towards creating the necessary instruments of social control and restructuring of the rural economy for counter-insurgency purposes. The civilian patrol system remained the linchpin of the strategy and was expanded to 900,000 members, but six 'development poles' and around fifty model villages were also added.¹²

In 1983 the programme included the army's expansion and internal restructuring, and a decentralisation of the state's administrative functions. Total troop strength grew to 40,000. The army's old office of military/civilian affairs (S-5) was upgraded to run the model villages, development poles and civilian patrols. In October the army also announced the formation of a system of Inter-institutional Coordinators (ICs), which were in effect a form of parallel government in the rural areas. They were organised on a national, departmental and local level such that all government and private (both national and international) development projects and resource allocations were subordinated to army authority and therefore to national security goals. The IICs involved the incorporation of up to twenty state or parastatal agencies, many of which were brought under military control. At the national level, the IICs were headed by the Army Chief of Staff, at a departmental level by the regional commander, and at the municipal level by a local mayor, who was supervised by the local military commander. The civilian patrols, development poles and the IICs (although in a slightly different format) were all legally written into the new Constitution. As one expert on Guatemala recently observed:

The army has saturated the Guatemalan countryside with barracks and bases, regular troops and paramilitary patrols, resettlement camps and model villages. It has created a complex fabric of new agencies, programs and bureaucratic structures, and begun to address new ways of organizing the rural economy . . . the army may be going back to the barracks, but in its definition the barracks cover most of Guatemala.¹³

¹¹ Based on government figures for the number of orphans in the highland departments, the Washington Office on Latin America in their 1985 report *Without Security or Development: Guatemala Militarised*, put the death toll for the period 1981 to 1984 at between 50,000 and 75,000 dead or disappeared; according to the army 440 Indian villages had been destroyed; there are between 100,000 and 150,000 Guatemalan refugees in Mexico; and around half a million Guatemalans are internally displaced.

¹² British Parliamentary Human Rights Group, *Bitter and Cruel: Report on a Mission to Guatemala*, London, October 1984, ch. 3.

¹³ 'Under the Gun', *Nacla Report on the Americas* 19(6) November-December 1985, pp 21-2.

The whole system allowed the army to retain its control over resources and the rural population, even under a future civil government. Frequent statements made by regional command throughout 1985 made it clear that the new civilian President would meet enormous obstacles in trying to dismantle such a deeply implanted system.¹⁴ This was not just because the army would be reluctant to give five years of counter-insurgency work pass out of their control. Although the overall effect of counter-insurgency plans from 1980 had been to deal a severe blow to the URNG (and especially the EG), there were signs throughout 1985 that guerrillas were recovering some lost ground in terms of the number of actions, arms recuperations, and army casualties. In the first ten months of the year, 210 guerrilla actions were reported, a 40 per cent increase from the same period in 1984, and more than the total for 1983. In the months of September and October URNG actions were reported to have reached their highest level in three years, affecting eleven of the twenty-two departments. Although none of the URNG's military actions demonstrated a capability to move from small-scale ambushes and outpost raids to a more sustained engagement with the army, their constant presence in rural areas, including regions under tight military control, strengthened the military's desire to keep intact the various elements of its counter-insurgency programme. Even so, the army's overall confidence in its level of control over former conflict zones was a central factor in allowing a civilian to take over. They could accept a tactical withdrawal from formal power once the necessary measures had been passed to guarantee the consolidation of its counter-insurgency policy. They knew that one advantage of a civilian administration would be to increase the chances of the US Congress allowing more military aid from the Reagan Administration; but this was seldom considered as important as the need for increased flows of economic aid, both for its own counter-insurgency purposes and for the economy as a whole.

¹⁴ See, for example, *Inforpress Centroamericana*, *ibid.*, p 35; and *Wall Street Journal* (New York) 31 October 1985.

¹⁵ *Inforpress Centroamericana*, Guatemala City, No. 671. The main areas of operations are the following (as of December 1985): The FAR in the Peten and northern Alta Verapaz; the EG in the northern highland regions, principally in Quiché; and ORPA in the west and south, especially in San Marcos, southern Quezaltenango, Sololá and Suchitepéquez. There is occasional presence in Santa Rosa, Escuintla, Chimaltenango and Baja Verapaz. A new General Command of the three groups (the PGT-núcleo has not carried out a military action for at least three years) was announced towards the end of 1985. The army estimates the guerrilla fighting strength at 4,000; the US Embassy puts the figure at 2,000, and newspaper reports at 1,000.

The economic crisis and short-term instability

Whereas the military scored a temporary victory over the guerrilla forces, a solution to the five-year decline in the Guatemalan economy proved far more intractable. The decline had originated in the economic recession of the industrialised countries at the end of the 1970s, which sharply cut the price and demand for Guatemala's main agricultural exports. The recession also led to a major contraction of the regional market for Guatemala's manufactured exports, which in the 1960s and 1970s had come to represent just under 40 per cent of the total value of exports.¹⁶ In the twelve months leading up to the November elections, the economy spiralled further out of control and the country was widely regarded as facing its worst economic crisis since the 1930s. The GDP growth rate had fallen a cumulative 6.1 per cent from 1982-3, and although it had levelled out in 1984 (0.2 per cent), it was projected to fall again (by 1.6 per cent) in 1985. In the five-year period between 1980 and 1985, half of the economic growth of the previous thirty years had been lost, and GDP per capita was at the 1971 level. A paucity of foreign exchange reserves and a budget deficit projected to rise to Q 735 million in 1986 were the main structural causes of a rapid devaluation of the quetzal from a 60-year parity with the dollar until November 1984 to a black market rate of nearly 4 quetzales to the dollar by September 1985. The foreign debt, which historically had been manageable by Central American standards, had risen from US \$1,053 million in 1980 to US \$2,374 million in 1984, while the debt service ratio had reached 38 per cent of the value of exports (US \$500 million) in 1985. Inflation, which had remained in single figures for most of the post-war period, had risen to between 35 per cent and 40 per cent in the months leading up to the elections. By 1985 underemployment and unemployment were affecting around 45 per cent of the work force.

The principal political effect of the economic recession was to exacerbate the historical tensions between the army and the private sector over the running of the economy. Founded in 1957, CACIF (Comité Coordinador de Asociaciones Agrícolas, Industriales y Financieras) has functioned as the main representative of the Guatemalan private sector. Since the escalation of the civil war CACIF and the military have shared basic assumptions about the need to defeat

¹⁶ For a full explanation of the causes of the economic crisis, see *Inforpress Centroamericana*. 'Guatemala: elections 1985,' October 1985, pp 13-23.

the guerrillas, but have agreed on little else.¹⁷ These tensions are paralleled to the same degree in the rest of the region, largely because the exceptionally belligerent resistance of the Guatemalan right to even a modicum of social, economic and especially fiscal reforms, and because of the military's substantial stake in the Guatemalan economy. In general, the military have tried to extract appreciable tax concessions from the private sector (which pays one of the lowest rates of tax in the Western hemisphere¹⁸) to help to finance the cost of the war, while CACIF have attacked the military's large institutional and individual interests in state enterprises and public works projects.¹⁹ After the March 1982 Ríos Montt coup, the friction crystallised around a solution to a burgeoning fiscal deficit. The Lucas García government (1978–83) had overseen a massive increase in government spending, largely as a result of outright corruption, a rapid expansion of investment in public works projects and the rising cost of financing the war. Between 1978 and 1981 the deficit rose by a factor of 17, and increased from an average of 1 per cent of GDP in the years prior to 1978 to 7.4 per cent in 1981 (in numerical terms from Q 39 million to Q 683 million). Although Ríos Montt did reduce the deficit to around US \$300 million in 1983, his attempt to impose new taxes (a value-added tax (IVA) of 10 per cent) on the private sector was a major reason for his eventual removal in August 1983. Mejía Víctores initially appeased the private sector by reducing the IVA by 3 per cent, but the tensions soon resurfaced as the solutions offered by either side were bound to affect the economic interests of the other.

In June 1984 the IMF suspended the remaining US \$60 million of a US \$120 million stand-by loan because the government had failed

¹⁷ Although there are close links between the political parties and sectors of the business community, CACIF has tended to function as the most coherent political representative of the Guatemalan private sector (despite frequent sectoral disagreements within its membership).

¹⁸ Guatemala has the lowest tax ratio to GDP in Latin America. Tax income as a percentage of GDP amounted to 5.3 per cent in 1984, while the average for the rest of Central America ranged from 12 per cent to 31 per cent. Direct taxes on income and wealth (both personal and corporate) comprise less than one-fifth of all tax revenue, whereas for most other countries with market economies it is closer to 80 per cent.

¹⁹ In the last fifteen years individual generals have used their control of the state to acquire considerable personal fortunes (especially as owners of valuable land and mineral deposits), while the army as an institution has established a substantial economic base through its interests in around twenty state enterprises and especially through its own bank (El Banco del Ejército) and the IPM (Instituto de Provisión Militar), both of which have made large investments in financial and industrial projects. CACIF complain both of the 'Somocisation' of the economy which distorts the free market, and of the opportunities for personal enrichment offered by costly public works projects. Their *bête noire* is the Chixoy hydroelectric dam whose budget rose from US \$360 million at conception to US \$900 million by late 1985.

comply with its requirements of reducing the fiscal deficit to 3 per cent of GDP and establishing limits to the growth in credit from the internal banking system, which the IMF saw as the major cause of the excessive amount of money circulating in the economy.²⁰ Mejía Vítores finally moved to raise taxes in September 1984, by lifting some of the IVA exemptions that favoured the agro-export sector and introducing a new stamp tax. But the measures were clearly insufficient. The gravity of the crisis was finally recognised in November with the announcement of a 'state of emergency in international transfers' and the establishment of a parallel foreign exchange market. The parity rate was maintained for the import of essential goods and to honour the foreign debt, while a new rate of Q 1.40:US \$1 was formally introduced for most other transactions. The parallel rate was intended as a disincentive to luxury imports, but the measures resulted in a generalised rise in inflation as many companies used the opportunity to raise domestic prices, irrespective of whether the goods were affected by the higher exchange rate. When the Minister of the Economy, Leonel Hernández Cardona, blamed the rise in inflation on the private sector, CACIF responded by demanding his resignation. Mejía Vítores backed his Minister and even threatened to nationalise some businesses if the private sector did not collaborate with the government.

After another IMF visit in March, the government unveiled what amounted to its most comprehensive attempt at fiscal reform and its most concerted attack ever on CACIF. On 8 April, the Minister of Finance, Colonel Leonardo Figueroa Villate, announced a 15 per cent tax on non-essential imports from Central America and a 50 per cent tax on goods from outside the region. The package also raised interest rates from 12 per cent to 16 per cent, and included a tax on private education and some duties on coffee exports which had previously been tax-free. Mejía Vítores was explicit in asserting that big business and higher income brackets had to make sacrifices. The response of CACIF was both immediate and effective. A series of full-page advertisements demanded the withdrawal of the measures and the resignation of several Cabinet ministers. Threats to paralyse production and

²⁰ In the period from 1979 to 1984, 62 per cent of the budget deficit was financed by monetary emission from the Central Bank. The new money flooded the market and created an enormous demand for dollars, which in turn led to a rapid depletion in the country's monetary reserves (from US \$682 million in 1978 to a negative US \$422 million in December 1984). The inability of the Central Bank to meet the demand for dollars spawned a rapid increase in black market dealings and the inevitable drop in the value of the quetzal.

transportation were backed up by talk of withdrawing from a dialogue with the government. Five political parties denounced the measures more cautiously (so as not to isolate the Mejía government comprehensively that their short-term electoral future would be jeopardised), while the Constituent Assembly asked for a suspension of the tax proposals and urged a meeting between the government and CACIF.

The rumours of an imminent coup were so pervasive that a US Embassy spokesman in Honduras reported that it had already taken place.²¹ The army Chief of Staff, Lobos Zamora, was forced to announce that there would be no repetition of the coup to remove Ríos Montt (over his similar attempts to push through fiscal reforms), and reiterated the army's support for the Mejía government. The State Department for its part issued a strong statement against 'authoritarian democratic elements who were taking advantage of the situation to threaten the process of democratisation'. After a series of emergency meetings of the senior command, the government backed down. On 1 April, the Minister of Finance was replaced and five days later the tax proposals were repealed. By the end of the month the Minister of the Economy had been substituted by his deputy. In what was clearly a political manoeuvre designed to reduce the chances of a coup, the government then announced a 'National Dialogue' which called up CACIF, unions, university representatives, political parties, the church and the military to submit recommendations to solve the fiscal crisis. CACIF's response was the release of a 30-page document on 6 May, unsurprisingly blaming the government for the crisis, and calling for a 10 per cent cut in the budget, an end to government corruption, the privatisation of state enterprises, and a halt to government-sponsored speculation on the foreign exchange markets. When the National Dialogue ended on 21 June without reaching any conclusions, a new Technical Commission of Economic Advisers was formed and on 6 July proposed minor new taxes (on international transactions and airport dues) which were largely accepted by CACIF as short-term measures. The government had gained a temporary breathing-space, but the political implications of the April crisis were self-evident. CACIF had demonstrated its capacity both to block the implementation of major economic reforms and severely to curtail the regime's capacity to govern. Although the tension remained in the months coming up to 1

²¹ *Inforpress Centroamericana, ibid.*, p 16.

elections,²² a tacit consensus was reached that neither the economic crisis nor the impasse could be resolved until the Mejía government was replaced by a new civilisation administration.

What followed in September only served to emphasise the government's mismanagement of the economy and its short-term instability. The authorisation of a 50 per cent increase in urban bus fares at the end of August sparked off the first massive street protests in Guatemala City since 1978. Students were joined by housewives and the unemployed in nearly ten days of rioting around the capital. At least fifty buses were destroyed and more than Q 1 million reported in other damages. In all, ten people were killed, about 100 injured, 2,000 arrested, and around sixty 'disappeared'. The National University of San Carlos was occupied by the army for two days, which caused a further US \$1.5 millions' worth of damage. Even when the government revoked the bus fare increase on 4 September, the protests against the general rise in the cost of living continued for two days.²³ Although these protests were generally spontaneous and unorganised, work go-slows, which had begun in several government departments in August, escalated into a wave of strikes to push for wage increases.²⁴ In the face of a threat of a national strike, on 13 September Mejía Vítores was forced to grant a Q 50 a month bonus for some 200,000 state employees, and to announce a price freeze on 45 basic consumer items. At the height of the protests, there were strong rumours of another imminent *coup d'état*, and Mejía himself was widely reported to have expressed his willingness to resign, but was prevailed upon to stay on by the US Embassy and the political party leaders who feared his resignation would delay or jeopardise the elections.²⁵ In early October,

²² In August, the Central Bank announced that some US \$53 million due from agro-export sales had never reached the Bank as required by law. In what was widely considered a related incident, Roberto Castañeda Felice, the President of AGA (Asociación Guatemalteca de Agricultores), an affiliate of CACIF, was gunned down on 12 August in Guatemala City. This was rumoured to be a government-directed reprisal for CACIF's rejection of the economic reforms.

²³ Between August 1984 and September 1985 the Consumer Price Index rose by 35 per cent, compared to a fall of 2 per cent in the corresponding period the year before. The price of beans, for example, had increased three-fold since the end of 1984, from 24 centavos a pound to between 60 and 75 centavos.

²⁴ The most important of these were the teachers' union, and public sector workers in the Finance Ministry, the Judiciary, Public Health, Public Works, Social Security, Waterworks and the General Electric Company. The national teachers' strike organised by the CNM (*Consejo Nacional del Magisterio*) spread to twenty of the country's twenty-two departments and was only temporarily resolved by the government's unilateral suspension of all classes until the new school year in January 1986.

²⁵ *New York Times*, 6 September 1985.

both the Minister of Finance and the President of the Central Bank resigned over the pay awards and the government's failure to endorse an official devaluation of the quetzal, thus bringing to four the number of senior government appointees who had been replaced or had resigned over the handling of the economic crisis. Without the promise of the November elections, the Mejía government would probably not have lasted the year.

The relationship between the economic crisis and the electoral process was not straightforward. On the one hand, the sharpened conflict with the private sector in April and the protests in September nearly provoked military coups that would have inevitably postponed the Presidential elections. However, the overall effect of the crisis was to convince the majority of the senior command, the private sector and the traditional right-wing parties of the need for a civilian regime in which, it was hoped, would have a more legitimate base for addressing the economic decline. If a solution was not found in the immediate future, the army ran the risk of a rapid increase in popular demands for more fundamental reforms. A withdrawal from formal power would also offer the short-term political advantages of dissociation from the national crisis, a solution to the Mejía government's temporary instability, and a lessening of the tension between the regime and the private sector. But the main benefit of a civilian President was always perceived to be that of increasing the chances of a substantial increase in economic aid and investment, both as a way out of the economic morass and to help finance the counter-insurgency budget (which in nominal terms consumed about 17 per cent of the national budget, but in real terms around 30 per cent).²⁶ Because the Mejía government had manifestly failed to show any significant break with its predecessor's human rights record,²⁷ the US Congress had several times blocked the Reagan Administration's efforts to raise the amount of military and economic aid to the Mejía regime. The International Security and Development Cooperation Act of 1985 had stipulated that future

²⁶ *This Week* (Guatemala City) 25 November 1985.

²⁷ The assassination of two leaders of the only human rights group in Guatemala, the *Grupo Apoyo Mutuo* (the Mutual Support Group), in March and April 1985 attracted the most international attention. See especially, Americas Watch, *The Group for Mutual Support*, New York, 1985 and Amnesty International, *Memorandum presented to the Government of Guatemala following a Mission to Guatemala in April 1985*, London, February 1986. The Embassy in Guatemala, which tends to underestimate the figures, reported 373 political assassinations and 135 disappearances in the first seven months of 1985.

assistance would be conditional on a transition to civilian rule.²⁸ Moreover, throughout the course of the year, the US Ambassador to Guatemala, Alberto Martínez Piedra, and the US State Department frequently stated their willingness to send increased amounts of aid once a civilian government had been voted in. A new regime held out the additional possible advantage of a reconciliation with the IMF, which had clearly indicated over the previous year that it did not consider the military regime capable of implementing any arrangement which would warrant an extension of loans. Guatemala's international isolation, the regime's lack of domestic legitimacy and the economic crisis could all benefit from a return to civilian rule. But the army also needed an electoral result in which there would be no fraud, no military candidate and no obvious military preference, so that no-one could doubt the purity of the event.

The reconstruction of the centre

The sixteen months of electioneering between the Constituent Assembly elections of July 1984 and the Presidential elections of 3 November 1985 were nearly eclipsed by the scale of the economic crisis. However, eight candidates and twelve parties did finally contest the first round (see Table 1). The plethora of parties gave the impression of genuine political pluralism, but by most criteria only the small Social Democrat Party (PSD), which is affiliated to the Socialist International, could convincingly be described as left of centre.²⁹ Nevertheless, the period was politically significant for the decline and fragmentation of the traditional ultra-right wing parties which had dominated the tolerated political space for the previous fifteen years, the consolidation of two new self-defined centrist parties, and the *derechización* (right-wing drift) of the Christian Democrat Party. The four major candidates shared the common aspiration of staking out the 'middle ground' for their parties or alliances. Although there were nuances of disagreement over economic and foreign policy, the real significance of

²⁸ Section 703(a)(1) required that the President certify to Congress that 'an elected civilian government is in power in Guatemala and has submitted a formal written request to the US for assistance, sales, or financing to be provided.'

²⁹ After a personal meeting between Mejía Victores and PSD leaders in Costa Rica in January 1985, the party announced its decision to contest the elections after four years of semi-clandestinity. Not all the leadership (including Juan Alberto Fuentes Knight, the son of the founder of the party, Alberto Fuentes Mohr) subsequently returned, arguing that their participation would only lend credence to the democratic facade.

Table 1: Votes cast for presidential candidates (Round 1, 3 November 1985)

Party/Coalition	Candidate	Votes	% of Valid Votes
DCG	Vinicio Cerezo Arevalo	648,681	38.65
UCN	Jorge Carpio Nicolle	339,522	20.23
PDCN/PR	Jorge Serrano Elías	231,397	13.78
MLN/PID	Mario Sandoval Alarcón	210,806	12.56
CAN	Mario David García	105,473	6.28
PSD	Mario Solórzano Martínez	57,362	3.41
PNR	Alejandro Maldonado Aguirre	52,941	3.20
PUA/MEC/FUN	Leonel Sisniega Otero	32,128	1.91

Source: Tribunal Supremo Electoral

Note: Approximately 3.8 million Guatemalans are of voting age, of whom 2.75 million (72 per cent) had registered. The total number of votes cast was 1,886,952 (68.5 per cent of those registered) of which 1,678,300 were valid, 146,034 spoiled, and 82,618 left blank. Absenteeism was therefore 31.5 per cent (relative to registration), or 50.3 per cent (relative to eligibility). Of the 2.75 million who registered, just over 1 million (37 per cent) were unable to read or write.

Acronyms: DCG = Democracia Cristiana Guatemalteca; UCN = Unión del Centro Nacional; PDCN = Partido Democrático de Cooperación Nacional; PR = Partido Revolucionario; MLN = Movimiento de Liberación Nacional; PID = Partido Institucional Democrático; CAN = Central Auténtica Nacionalista; PSD = Partido Socialista Democrático; PNR = Partido Nacional Renovador; PUA = Partido Unificación Anticomunista; MEC = Movimiento Emergente de Concordia; FUN = Frente de Unidad Nacional.

the parties' programmes lay in their shared promises *not* to carry out certain measures. Within four weeks of the Constituent Assembly elections, the limits on the political agenda were clearly marked out. In a public forum on 25 July 1984, Vinicio Cerezo of the DCG concurred with the other leading candidates that there would be no banking or agrarian reforms, and no nationalisations of private property or companies. In the weeks that followed, there was a similar agreement over the need to avoid 'Argentina-style' prosecutions for past human rights violations. With the most moderate candidate offering such solid guarantees to both the army and the private sector, the Mejía regime did not need to interfere too openly in the elections. The advantages of overseeing a relatively free electoral process far outweighed any particular preference that sectors of the army may have held.

The parties of the traditional ultra-right, such as the MLN, CAN and PID (Partido Institucional Democrático), which broadly represented military agro-export and business interests in the 1960s and 1970s, lost

much of their traditional constituency to the more moderate options offered by the UCN and the PDCN (Partido Democrático de Cooperación Nacional).³⁰ In part this was due to their internal fragmentation. Prior to the Constituent Assembly elections, the small PUA (Partido Unificación Anticomunista) had split from the MLN. It was led by Leonel Sisniega Otero, who had long been frustrated by the MLN's antediluvian leader, Mario Sandoval Alarcón, and his iron grip on the leadership of the party. The MLN, PID and CAN had joined forces to fight the Constituent Assembly elections, but in January 1985 CAN broke with the alliance when they were refused the Vice-Presidential ticket. The MLN's decline was also due to the aggravation of its historical differences with sectors of the military. Whereas the PID had maintained a more harmonious relationship with top generals, since the mid-1970s the traditional agro-export sectors represented in the MLN had opposed the military's 'statist' tendencies. The economic crisis of the early 1980s accentuated the underlying antagonism and led to a significant withdrawal of military support from the party. But, more importantly, there was a clear understanding within sectors of the army that the victory of an ultra-right candidate would not serve their aim of being welcomed back on to the list of civilised nations and thereby receiving more aid. The MLN once again insisted on the Presidential candidature of Sandoval for their alliance with the PID. Although Sandoval attempted to moderate his party's historical positions, the 'D'Aubuisson factor' came into play.³¹ The international climate favoured new 'moderate' faces which could not be so easily associated with an identifiable semi-fascist ideology or past (or future) acts of repression.

The UCN and the PDCN were both formed to contest the 1984 Constituent Assembly elections, and shared the common aspiration and advantage of presenting a fresh, moderate and modernising image. Their joint aim was to wrest space from the traditional right and to

³⁰ The MLN are the political heirs to the 1954 coup, and are internationally notorious for their fascist sympathies and their organisation of rural paramilitary death squads in the late 1950s; the PID was formed by the army in 1965 and is comprised principally of state functionaries and high-ranking military officers who benefited from state-owned businesses, especially under Lucas García; the CAN was originally a creation of some business sectors (especially industrial and financial capital) and military officers who supported President Arana (1970-74)—the new leadership tried to distance itself from the old association.

³¹ Sandoval's name is usually not put down in print without quoting his description of the MLN as the 'party of organised violence'. In fact he was referring to the MDN (Movimiento Democrático Nacional), the predecessor to the MLN, but it is hard to pinpoint any major ideological differences between the two parties.

distance themselves from the alleged radical tendencies of the DCG. Their economic policies differed from the MLN in their resistance to purer forms of monetarism, but in general they proffered orthodox conservative measures (with the emphasis on improved agricultural production, more efficient use of unutilised and state-owned land, and better collection of tax revenue), but no mention of serious reforms.³² The PDCN's candidate, Jorge Serrano Elías, who was a promoter of the fundamentalist 'Church of the Word' and the former head of the Council of State under Ríos Montt, claimed a substantial base amongst the national cooperative movement and Protestant sectors, while the appeal of the UCN depended more on the media packaging of its leader, Jorge Carpio Nicolle, through his two newspapers *El Gráfico* and *La Razon*, than on any defined ideology or social base. Both Serrano and Carpio Nicolle were frequently rumoured to be the unofficial candidates of the private sector, the army or the US. The PDCN undoubtedly received substantial backing from commercial sectors and some cotton-growers and coffee farmers who deserted the MLN, whereas Carpio's seemingly inexhaustible campaign funds raised further speculation about his sources of finance and his political independence from the army.³³ It was frequently alleged that the outgoing Foreign Minister, Fernando Andrade Díaz-Durán, organised support for Carpio among army officers and the private sector as part of a longer-term personal ambition to promote his own bid for the Presidency.³⁴ The break-up of UCN's alliance with the equally conservative PR (Partido Revolucionario) in March over the UCN's alleged backers and with the PNR (Partido Nacional Renovador) in July helped to stymie the Andrade project and seriously weakened the UCN's chances. The fact that only two years after their formation both parties could seriously contend for the Presidency only served to highlight the fragility of their social base and the atrophy of open electoral politics in the 1970s and 1980s. The true Guatemalan centre parties—the social democratic FUR (Frente Unido de la Revolución) and the PSD—had been wiped out by the Lucas Administration at the end of the 1970s in a deliberate attempt to pre-empt the 'moderate option' (and to force the Carter Administration to side with the right).

³² See *Inforpress Centroumericana*, *ibid.*, pp 24–43, for a full description of all the parties' candidates and programmes.

³³ Carpio Nicolle is said to have received substantial funds from the Banco del Ejército to help the reactivation of his newspaper, *El Gráfico*, after the earthquake in 1976.

³⁴ See for example, *This Week* (Guatemala City) 25 March 1985.

The death of the genuine centre had led, in the early 1980s to the further polarisation of Guatemalan politics, which had clearly not been halted by the arrival of new self-proclaimed centrist parties.

The main challenge for the DCG was to convince the army and the right that any reformist tendencies the party may have inclined to in the past were kept firmly in check. Although the DCG was founded in 1955 under the influence of the Social Christian doctrines of the early Cold War period and initially formed alliances with the MDN, by the late 1960s it had adopted a more liberal (but still anti-communist) position and had some support in urban middle class sectors and Indian communities. As part of the FNO (Frente Nacional Opositora) alliance for the 1974 elections they offered a moderately reformist platform (including minor land and fiscal reforms). Their candidate, Ríos Montt, was widely considered to have won the vote, but not the count.³⁵ Their base began to disintegrate in the late 1970s, especially after the death of around 300 of their middle-ranking and provincial leaders as a result of Lucas García's general offensive against the centre. By 1982 the party had largely abandoned its earlier commitment to reforms, as evidenced by its reluctance to condemn the escalation of large-scale repression of Indian communities under Ríos Montt.³⁶

The DCG programme for the 1985 elections confirmed the party's essentially conservative roots and left them with a political identity well to the right of their sister parties in El Salvador and Honduras. Although Vinicio Cerezo represents the more progressive wing of the party, he was held in check by the more conservative sectors under the influence of René de León Schlotter, whom Cerezo had ousted from the leadership at the end of the 1970s.³⁷ His constant assurances of the 'irresponsibility' of an agrarian reform convinced all but the most *atrasados* (reactionary) sectors of landed capital that any threat to their privileges lay firmly in the past. Although vague commitments were

³⁵ The experience of the FNO was similar to that of the UNO (Unión Nacional Opositora) in El Salvador in 1972, whose victory was also blocked by the military. After General Kjell Laugerud had been declared the winner in the 1974 Guatemalan elections, Ríos Montt quietly left Guatemala to become the Ambassador in Spain (allegedly after a payment of US \$1 million).

³⁶ For a fuller history of the DCG, see Gabriel Gaspar, *La estrategia de la Democracia Cristiana en Centroamérica*, Mexico: CINAS, September 1985.

³⁷ René de León Schlotter is an ex-member of the MLN and ex-head of the World Christian Democrat Movement. He attended the Santa Fé Committee in 1980, which formed the basis of discussions between the 'new right' in the US and the international Christian Democrat movement as to the viability of a middle path between military authoritarianism and more left-wing options as a way of combining counter-insurgency and 'legitimate' governments. In general, the right-wing sectors were responsible for blocking Cerezo's attempts to form alliances with small centre-left groups or with the PR. See *Inforpress Centroamericana*, *ibid.*, p. 27.

made to increase taxes and introduce new programmes in education health care, the main thrust of their plan for economic reactivation in new flows of economic aid from abroad and a renegotiation of foreign debt. The presence of important business representatives with the DCG and the general reassurances about the need to avoid any form of nationalisation were sufficient for CACIF to give an alleged Q 40. to the Christian Democrat campaign. The army too was reassured the 'new moderation' of the DCG and their rejection of prosecutions of the military for past corruption or human rights violations. Moreover, according to some reports, by the time of elections most of the senior command, including the old guard, swung their support behind Cerezo after he had humiliated Canicollé in a televised debate.³⁸ There was also frequent speculation about a possible agreement between the military and the DCG although this was always rumoured to be verbal and not a rerun of Méndez's formal 16-point agreement with the army in 1966. Whether or not this had in fact taken place, it was clear that both the military and private sector could live happily with the Christian Democrat project.

Nor was the prospect of a DCG victory a major source of concern to the State Department. Since the beginning of the 1980s they successfully nurtured a close relationship with the Christian Democrat party in El Salvador as the most efficient way of providing a degree of cover for their pursuit of a military victory against the FDR-FMLN. The only disadvantage to them was Cerezo's desire to continue Guatemala's 'active neutrality' in the region, whereas the three other main candidates favoured a policy of greater hostility towards Nicaragua. Although the 1983 Mejía Víctores coup was widely interpreted as heralding a closer alignment with Washington's attempts to destabilise the Sandinistas, the Mejía regime had soon returned to a policy of gentle support for the Contadora process, a refusal to react to CONDECA and an avoidance of public statements in support of contras in Honduras. The policy of non-alignment was deftly promoted by Fernando Andrade, the Foreign Minister, and stemmed not from any sympathy for the Sandinistas but from an astute recognition of political advantages of improved relations with Western European and Latin American countries (especially Mexico) as a way of reducing

³⁸ A week before the elections, Cerezo is said to have circulated what he claimed was a memorandum from military intelligence predicting a victory for the DCG on the strength of the party's ties with the military and the US. See Allan Nairn in *Village Voice* (New York) 11 November 1985.

international isolation and deflecting criticisms of its human rights record. (There was little to gain from a close alignment with the Reagan Administration—the US Congress would probably have continued to vote against increased amounts of economic and military aid on human rights grounds). Andrade's policy found general support from the army because of its fierce chauvinism and post-1977 antipathy towards the US, its concern over diverting troops and attention away from its own civil war, and its general disdain for close cooperation with its counterparts in Honduras and El Salvador. However, even if the US may have preferred a more anti-Sandinista candidate, in general they were keen to support the electoral process in the hope of increasing their political leverage over the new government, whichever party came out on top.³⁹

The victory and prospects of the Christian Democrat Party

In the first round of the elections on 3 November, Vinicio Cerezo won a clear majority of 300,000 votes over his nearest rival, Jorge Carpio Nicolle, which meant that the two had to contest a second round a month later on 8 December (see Table 1). The DCG also won an absolute majority in Congress, winning fifty-one of the 100 seats to the UCN's twenty-two and the twelve of the MLN-PID.⁴⁰ The MLN-PID alliance complained of a 'sophisticated fraud' in the use of the computer technology for counting and monitoring the vote, and of discrepancies in certain areas between the number of people registered and the number of votes cast. However, the local interpretation was that the MLN-PID's allegations stemmed more from disappointment at their poor showing than from any widespread fraud.⁴¹ The official US

³⁹ The US Embassy and State Department acted as major publicists for the electoral process, distributing large quantities of background briefing papers. The US government also granted US \$234,000 to the Tribunal Supremal Electoral, but in general the role of the US in the Guatemalan elections was not as direct as in the March 1984 elections in El Salvador or the November 1984 elections in Nicaragua.

⁴⁰ The rest of the seats were shared by the PDCN-PR (eleven), the PSD (two), the PNR (one) and CAN (one). The DCG also took Guatemala City and twenty of the country's twenty-two departments, including the western highland departments affected by the civil war, and the eastern regions, where the MLN had traditionally enjoyed its strongest level of support. Of the 100 deputies, only five were from the Indian ethnic groups, when Guatemala's population is between 50 per cent and 70 per cent Indian.

⁴¹ See *Inforpress Centroamericana*, Guatemala City, no. 666. The MLN-PID only made the accusations after it was clear they were losing. They compared their alleged experience with US support for the Christian Democrats in the Salvadorean elections, and named John Kelly of AID as the person responsible for the fraud in both countries.

Government team of observers, headed by Richard Lugar, described the first round as 'fair and free', but an independent delegation sponsored by the Washington Office on Latin America and International Human Rights Law Group stressed the general climate of political violence 'in which parties and voters were subject to various forms of intimidation', and the degree to which some of the population, especially Indian, voted through fear of the various penalties for voting.⁴² In general, the international response was that the 1985 regime had accomplished its aim of a free and fair election, by which it meant free of fraud and military candidates. While many observers were quick to emphasise these new and surprising additions to recent Guatemalan electoral history, there was little mention of how well it fitted the army's requirements for the elections. Criticisms of the human rights context, the general level of fear amongst a large percentage of the population and the lack of genuine pluralism were also largely absent.⁴³

In the second round of 8 December, Cerezo gained 68 per cent of the valid votes, giving him a higher vote than the total number of votes for all three candidates in the 1982 elections (see Table 2). Cerezo won by a wider margin and more total votes than any Guatemalan President since Juan José Arévalo in 1944. The size of his majority and the large number of demonstrators present at Cerezo's victory made it impossible to deny that Cerezo had considerable, if temporary, popular support.⁴⁴ In part this was due to Cerezo's personal popularity and the DCG's more impressive electoral campaign. But Cerezo was considerably helped by Carpio's failure to unify the defeated right-wing parties and the private sector behind his anti-Cerezo campaign. In the five weeks before the second round, the PNR, the PSD, one faction of the PR and the Executive Committee of the PDCN all offered qualified support for Cerezo, while the MLN and the CAN re-

⁴² See the Report of the delegation sponsored by WOLA and the International Human Rights Group, *The 1985 Elections: Will the Military Relinquish Power?*, Washington DC, Dec 1985, p. vii. Mejía Victores announced in the week before the elections that those who voted would not be granted visas for business, travel or immigration. Newspaper advertisements sponsored by the military stated that it was traitorous to abstain or to vote null or blank.

⁴³ In a characteristically bold equation of elections and democracy, the US State Department's October 1985 briefing paper described the elections as 'the final step in the establishment of democracy in Guatemala (emphasis added)'.

⁴⁴ Left-wing critics pointed to the high level of abstentions in both the first and second round (35.5 per cent and 34.5 per cent respectively, relative to registration), but by historical standards despite the penalties for not voting, these figures were relatively low.

GUATEMALA IN CIVILIAN GARB

Table 2: Votes cast for presidential candidates (Round 2, 8 December 1985)

Party	Votes	% of Valid Votes
DCG (Vinicio Cerezo)	1,133,517	68.37
UCN (Jorge Carpio Nicolle)	524,306	31.63
Total	1,657,823	100.00
Spoiled Ballots	127,913	
Blank Ballots	14,588	
Abstentions	953,816	

Source: Tribunal Supremal Electoral

their affiliates to vote for whichever candidate they preferred.⁴⁵ Carpio was forced to rely on a strategy of trying to paint the DCG as 'internationalist' and 'leftist' as against the UCN's 'nationalism' and 'centrism', but such accusations were hardly likely to frighten either the army or the private sector when the DCG had already succeeded in reassuring both groups by rejecting any reforms that would harm them. Moreover, as Alfonso Cabrera, the Secretary-General of the party, had candidly pointed out in the week after the first round of the elections, 'The Christian Democrat party in Guatemala, as in many other countries of the world, had been formed to stop Marxist expansionism.' But the most convincing explanation of the DCG's success lay in their reputation for being the party least involved in the corruption and repression of previous military governments. In general, the results were interpreted as a vote against the military and the parties closest to them, as all the traditional parties (with the exception of the PR who were in alliance with the PDCN) had come well down the list in the first round. Although in the previous fifteen years the DCG had been prepared to enter pacts with right-wing parties and to legitimise military governments by participating in a series of electoral frauds, the fact that they had never actually assumed office offered the most appeal to the middle classes, who were tired of the army's corruption and

⁴⁵ The MLN argued that the campaign against communism was the MLN's task, and not that of the UCN. The business community were not totally happy with the results of the first round, but never seriously considered a victory for Carpio in the second round. According to *This Week* (Guatemala City), 9 December 1985, Cerezo received substantial contributions from the business community for his runoff campaign.

mismanagement of the economy, and the popular sectors, who voted for the candidate least associated with army repression.

The scale of the economic crisis and the fact that the army had largely dictated the rationale and dynamic of the return to civilian rule clearly established the limits on Cerezo's power and his room for manoeuvre. Despite Cerezo's obvious short-term popularity and the DCG's majority in Congress, Cerezo was bound to have to walk a narrow tightrope in his relations with the army, the private sector, the popular organisations and the URNG. His new Cabinet, announced days before his inauguration, was carefully constructed not to antagonise either the private sector or the military, and included only three representatives of the party's left wing.⁴⁶ Although the appointment of General Hernández Méndez as Minister of Defence was widely interpreted as a victory over the military hardliners' choice of the outgoing Chief of Staff, Lobos Zamora, Cerezo held true to his promise of not prosecuting any of the military for past offences. The arrest of 600 members of the DIT (*Departamento de Investigaciones Técnicas*), the intelligence branch of the National Police, on 4 February was a significant political gesture to convince international and internal public opinion of his intentions to act against human rights violations, but the army's own intelligence branch (G-2) and the whole counter-insurgency structure in the rural areas remained largely intact.⁴⁷ One of Cerezo's main challenges, therefore, was to adhere to his guarantees to the army, while at the same time avoiding a collision course with the *Grupo de Apoyo Mutuo* and other affected groups who were demanding justice for past violations. Moreover, the probability of future human rights violations seemed high. The DCG project involved both ample guarantees to the private sector and more 'popular' guarantees of the rights of association and trade union organisation, in part to satisfy its own base in the trade union movement through the CUSG (*Confederación de Unidad Sindical Guatemalteca*). In the context of

⁴⁶ Only the Ministers of Labour, Health, and Sports and Culture are considered to be on the left of the party. See *The Economist Intelligence Unit*, Quarterly Economic Review of Guatemala, El Salvador and Honduras, London, no. 1, 1986.

⁴⁷ The DIT is widely regarded as a relatively independent and isolated branch of the security apparatus, and therefore easier to dismantle. Just before Cerezo's inauguration, the Mejía regime rushed through Decree Law No 8-86, which granted a total amnesty for anyone responsible for political crimes in the period since the Ríos Montt coup—at the time of writing, the law had not been repealed. On 14 February 1986 Cerezo presided over the inauguration of a new public works project in the Chisec development pole, which was a clear indication of the new government's approval of the army's 'development' strategy for the rural areas.

rising popular protests created by the economic crisis and the expectations generated by the new government, such a combination of guarantees seemed doomed to be resolved in the long term by more repression of the poorer sectors.

Cerezo's room for manoeuvre on economic policy had been marginally increased by a slight recovery in the economy in the last three months of 1985 and by a series of measures rushed through by the Mejía regime before Cerezo's inauguration. By the year-end, the quetzal had risen to around Q 3 : US \$1 and some payment of the debt had been released, largely due to more revenue accruing from the agro-export sector. One of Mejía's last acts was to introduce new taxes on luxury imports and property, a 3.5 per cent tax on international transactions, and the compulsory purchase of quetzal-denominated bonds. The levying of luxury taxes coincided with the imposition of a new Central American tariff legislation (known as *regla-3*) which entailed a two- to three-fold increase in duties payable on goods imported from outside Central America and a substantial increase in government revenue. But despite these measures and the prospect of a possible doubling of revenue from coffee sales (because of the rise in world prices) and a decline in oil prices, the outlook for 1986 still remained bleak. The 1986 budget involved a deficit of Q 735 million, while the debt requirements for 1986 had risen to US \$600 million.⁴⁸ Cerezo's best hope still seemed to lie with renewed flows of aid from abroad, but doubts remained over whether these would be sufficient to halt the economic decline, and over the possible political price attached to any new loans from the US. Cerezo could expect significant bilateral aid from the EEC, the *International Christian Democrat movement* (especially Venezuela and West Germany) and the Reagan Administration, but it was hard to argue that these would be forthcoming in sufficient amounts to meet the country's needs. Moreover, the Reagan Administration would be likely to seek important concessions on Guatemala's foreign policy if it were to raise its level of support to that of its major allies in El Salvador and Honduras.⁴⁹

⁴⁸ The government's policy on the renegotiation of the debt and a possible devaluation of the currency had not been decided at the time of writing.

⁴⁹ The EEC have agreed a substantial increase in their current aid of sterling £23 million, but the money will be shared between six Central American countries; the West German government has granted US \$22 million in soft loans; the Venezuelan government could save the Cerezo government an estimated US \$160 million on its oil bill by an alteration in the San José agreement; the Reagan Administration has pledged US \$91 million for fiscal years 1986 and

Nevertheless, it was in the international arena that Cerezo enjoyed the most leeway. His foreign policy was essentially a continuation of the one pursued by the Mejía regime, but the main difference lay in its higher international profile. Soon after his victory in the second round of the elections, Cerezo went on a whirlwind tour to the US, Europe and the other Central American countries in an attempt to seek both aid and support for Guatemala's 'active neutrality' in the region. At his inauguration ceremony, a major new impetus was given to the Contadora process by the so-called 'Declaration of Guatemala' which was signed on 15 January 1986 by all the Central American countries (except Costa Rica, but including Panama). The Contadora countries also declared their support for his proposal for a new Central American parliament.⁵⁰ Most Latin American and European governments welcomed Cerezo's Presidency for the advantages offered by a 'democratic' regional government supporting their own efforts to seek a negotiated solution to the regional crisis. However, it remained to be seen how far the support would extend to new flows of aid and reduced criticisms of human rights violations. Cerezo's problems remained largely domestic, and stemmed not only from the severe limits set by the army on the 'democratic opening', but also from the very nature of the DCG programme. As in El Salvador, the key question was whether a Christian Democrat project could do anything to halt the acute social conflict inherent in highly polarised Central American societies when Christian Democrat parties are unable, or unwilling, to confront the traditional holders of economic and political power and cling to the conviction that change can be achieved within existing political structures. Since 1966 elections in Guatemala have provided legitimacy for counter-insurgency programmes and have not announced major shifts in political power. There was little to suggest in the victory of the DCG that the 1985 elections marked a significant departure from the pattern.

1987, although this figure could well be increased. For projections of Guatemala's foreign aid and investment requirements, see *Inforpress Centroamericana, Guatemala: Elections 1985*, pp 22-3. Guatemala has received only US \$120.3 million in economic aid over the last six years from the US, compared to US \$1,022 million for El Salvador, US \$495 million for Honduras, US \$637 million for Costa Rica, and US \$112.5 million for Panama. Costa Rica, El Salvador and Honduras are aligned with the Reagan Administration's policy on Central America.

⁵⁰ This would be modelled on the European Parliament in Strasbourg and would aim to resolve the region's problems without foreign interference.

The Baghdad raid: retrospect and prospect

Conduct by a state widely believed to be a nuclear-weapon country, Israel's destruction of Iraq's safeguarded research reactor (Osiraq) on 7 June 1981, opened inter-state controversies and stirred broader issues that are still active five years after the event. Israel's attack, using US-supplied aircraft, challenged the non-proliferation regime in the form of International Atomic Energy Agency (IAEA) inspections accepted by Iraq as an adherent of the Nuclear Non-Proliferation Treaty (NPT). The raid also called into question the right, affirmed in the NPT, of nuclear suppliers and developing nations to engage in nuclear commerce and peaceful exploitation of the atom under IAEA monitoring.

Pledging to repeat military assaults on any Israeli adversary's nuclear facilities deemed by Israel to be a threat to its own security, a Begin Government post-strike declaration raised the possibility of additional regional violence centring on nuclear activities. These activities might eventually include a nuclear-weapons programme to confront Israel's regional nuclear-bomb monopoly. Unprecedented in world affairs, the raid also stirred visions of Israeli-style conduct by states in other regions having intense political and nuclear rivalries. Moreover, the attack provoked questions about the efficacy and follow-on responsibilities of the UN, the non-proliferation regime and major actors, notably the US.

It is the purpose of this article to review and assess the origins, event and aftermath of the Osiraq episode in national policies, international organisations and world politics. Attention is also given to the current status and likely future of nuclear affairs in the Middle East. A major norm for assessment is the non-proliferation ethic. The standard should be clarified by a recognition that because an absolute curb on proliferation beyond the five acknowledged nuclear-weapon states has not been possible, there are reasons for believing that additional spread may well take place in this century, though not necessarily in the Middle East. The ultimate norm is prevention of nuclear war.

Background conditions and policies

The Osiraq episode cannot be understood apart from nuclear conditions and related policies in the Middle East prior to mid-1981.¹ Except for Israel, Middle Eastern states had not progressed in nuclear affairs beyond a few cases of small research reactors or power reactor ambitions, as in the instances of Egypt and Iran. Between 1961 and the 1967 war the Nasser regime in Egypt demonstrated an interest in securing a nuclear arms or at least a rocket answer to Israel's unacknowledged nuclear bomb status; but after the 1967 débâcle the pre-Sadat leadership accepted its neighbour's nuclear advantage. Successive Cairo governments have continued to recognise this condition. Egypt's moves to make peace with Israel and to ratify the NPT without waiting for Israel to do the same virtually excluded the remote possibility of the largest Arab state ever having a nuclear bomb programme. These measures improved the chances for Egypt to obtain one or more nuclear power reactors to add to its small research reactor supplied by the Soviet Union in the Nasser era.

Having abundant oil-wealth, but also costly development and military budgets, and political ambition, Iran, Libya and Iraq entered nuclear affairs on varying schedules. An early NPT adherent and partisan, imperial Iran projected euphoric power reactor plans, which the Islamic revolution suspended and later revived on a limited basis. Signing the NPT in 1975 at the probable insistence of the Soviet Union, but ratifying the treaty only in 1981, the Qaddafi regime made unsuccessful efforts to secure bombs from China and sensitive nuclear technologies from several countries. Reports of Libyan financial aid and trans-shipment of Niger-originated uranium to Pakistan raised the promise or the spectre of an Islamic Bomb. Becoming highly controversial for a host of reasons, Libya has experienced a delay in the Soviet fulfilment of a 1977 contract to supply Libya with a safeguarded power reactor.

Arab nuclear policies must be viewed in the context of the Israeli nuclear evolution to which the Arab states have responded.² Israel

¹ Richard K Betts, Part Two, and Henry S Rowen and Richard Brody, Part Three, in Joseph A Yager (ed), *Non-proliferation and US Foreign Policy*, Washington DC: Brookings, 1980; Leonard S Spector, *The New Nuclear Nations*, New York: Vintage, 1985, ch. 4; and Steven Weissman and Herbert Krosney, *The Islamic Bomb*, New York: Times Books, 1981.

² Israel's nuclear status is explored in Yair Evron, 'Israel and the Atom', *Orbis* (18) Winter 1974, pp 1326-43; 'How Israel got the bomb', *Time* 12 April 1976; *Israeli Nuclear Armament* (United Nations) A/36/431; Fuad Jabber, *Israel and Nuclear Weapons* London: Chatto and Windus, 1971; Amos Perlmutter, 'The Israeli raid on Iraq', *Strategic Review* (10) Winter 1982, pp 34-43;

began early in its history to prepare for a nuclear future with the aid of Western-trained scientists and a small, safeguarded research reactor provided by the US. Some Israeli leaders, including Yitzhak Rabin and Yigal Allon, were inclined to rely upon conventional military superiority and oppose a nuclear-bomb option. But David Ben Gurion, Shimon Peres and Moshe Dayan led the development of a covert, dedicated programme seeking nuclear arms or the ready-to-assemble components thereof. Israel's long-standing posture that it would not be the first to introduce nuclear weapons into the Middle East was undermined by anyone wishing to recall US aerial or sea patrols in the 1950s.

Israel acquired a nuclear-bomb monopoly in the Middle East many years before the Osiraq affair. The breakthrough may have come in the 1960s. Both Labour and Likud-led coalition governments acted to maintain the monopoly, and to do so in a basement mode. A 'bomb-on-the-table' strategy urged by Moshe Dayan after the 1973 war was never adopted. The policy of calculated ambiguity unsettled adversaries having no nuclear deterrent and leveraged conventional arms sales from a pliant US.

Important steps in Israel's nuclear evolution were Franco-Israeli agreements resulting in France's provision of a large, unsafeguarded research reactor located in the secret Dimona complex where plutonium production may have begun in 1963; French reprocessing of spent fuel for Israel; the construction of an unsafeguarded re-processing facility in Dimona; and development of a 260-mile range missile capable of carrying nuclear warheads. France may have shared nuclear testing data with Israel.

President Dwight D Eisenhower's efforts which made Ben Gurion evacuate Israeli forces from the Sinai after the Suez War are well known. Less well publicised is an Eisenhower inducement for the withdrawal—a written pledge (which subsequent presidents renewed) stating that the US will not hinder any Israeli plans to acquire nuclear weapons.³ The agreement may operate chiefly in 'grey market' and dual-use areas. However, the existence of the accord may help to explain other matters. Among them is the 'loss' of highly enriched

and Peter Pry, *Israel's Nuclear Arsenal* Boulder, Colorado: Westview, 1984. Iraq's pre-raid policy is not explained, but Israel's nuclear hypocrisy is charged in Salah al-Ali, 'Iraq nuclear policy', *Arab Perspectives* (1) October 1980, pp 16–19.

³ 'America's nuclear pledge to Israel', *Foreign Report*, published by *The Economist* (London), 21 January 1981.

uranium from a Pennsylvania plant beginning in 1962 which the CIA believes probably passed to Israel. Also relevant is the 1968 disappearance in European waters of a large shipment of processed uranium ore, which Israel reportedly acquired.

Before the Osiraq controversy, the US did take some non-proliferation measures respecting Israel. Following intense Kennedy Administration interest in non-proliferation and the 1963 emergence of the Eshkol Government, which was opposed to nuclear bombs but did not debate them in public, the Johnson Administration secured limited American inspections of Dimona and found no evidence of separated plutonium. Subsequently, pro-bomb Israeli leaders returned to power and ended the inspections.

As the US provided increasing amounts of economic and military aid to Israel after its demonstration of military prowess in 1967 and a surge in American Jewish activism, the US did not make the transfers dependent on Israeli's full compliance with the non-proliferation regime. Despite Israel's 1968 vote for the NPT in the UN, Israel consistently refused American and British requests to adhere to the treaty. Israel did so with impunity. Israel's obduracy facilitated its nuclear programme. Especially after India's 1974 test, which re-energised American anti-proliferation efforts, the US focused on critical non-NPT countries having few friends in American politics. Apart from periodic media revelations, there was a lack of attention to Israel's nuclear activities in American public policy and among foreign policy elites and anti-nuclear lobbies; this condition shielded Israel from criticism to the benefit of its nuclear evolution.

According to subsequent CIA-inspired reports, Israel assembled nuclear weapons during a tight corner of the 1973 war. Arguably, Israel's nuclear weapons limited Egyptian and Syrian military behaviour. The conflict produced Soviet and American nuclear alerts, only the second case of its kind. A missed opportunity, the Nixon post-war diplomacy did not include full-scope safeguard requirements in draft accords overseen by Secretary of State Henry A Kissinger which covered possible sales of safeguarded reactors to Egypt and Israel. In the Israeli instance the absence was consistent with Kissinger's judgment in 1966 that ultimately Israel has to depend on nuclear deterrence.⁴ No Western public figure is known to have made a similar comment about Arab nations.

⁴ Sholomo Aronson, *Conflict and Bargaining in the Middle East* Baltimore: Johns Hopkins University Press, 1978, p 397.

The imbalanced, if not distorted, Camp David settlement following the Egyptian and Israeli peace moves increased Israeli geopolitical advantages, which Prime Minister Menachem Begin quickly exploited, increasing the bitterness of rejectionists. Rebuilding with borrowed power, Israel secured the demilitarisation of the Sinai which was funded and policed by Americans and increased its hold on the Occupied Territories against the wishes of Jimmy Carter and PLO objections. Begin's Israel mounted a power advantage over re-supplied Syrian and PLO forces and more distant adversaries which later burst northward in the Lebanese invasion. Pre-Osiraq, there was less need than ever to adopt the 'bomb-on-the-table' policy advocated by Moshe Dayan concerned about Arab numbers.

Maintaining and improving the covert nuclear arsenal was in order as Israel recovered from the 1973 shock and losses. Israel may have been a party to the mysterious signal over the South Atlantic in September 1979. Contrary to an American presidential panel, which did not wait for a full study, some analysts held that the signal was a nuclear test, not a natural event. Some observers believed that the test may well have been conducted by Israel or South Africa, or both; if so the exercise violated the Limited Test Ban Treaty ratified by both states.

The episode gave socialist and non-aligned states additional reasons to lead the adoption (over Western objections) of General Assembly resolutions calling upon Israel and South Africa to open all of their nuclear facilities to IAEA inspections and military and nuclear suppliers to cease transfers to the two states. Although South Africa may have been affected slightly by pressures regarding military and nuclear sales, the demands had no impact on the full-scope safeguards issue for either 'pariah' state. American military exports to Israel persisted. Israel's public nuclear imports had ended earlier. The emergence of the US Nuclear Non-Proliferation Act of 1978 rules out American sales of reactors or fuel to non-NPT states, unless they accepted full-scope safeguards.

Another approach to non-proliferation is the free-zone.⁵ In 1974-9 only Israel abstained on General Assembly votes favouring resolutions proposing Middle East military denuclearisation through non-proliferation pledges followed by submission of all nuclear facilities to IAEA scrutiny. Keeping its distance from this formula, Israel had its

⁵ Paul F Power, 'Preventing nuclear conflict in the Middle East: the free-zone strategy', *The Middle East Journal* (37) Autumn 1983, pp 617-35.

own free-zone line. In 1974 Israel proposed a Middle Eastern conference to draft a multilateral treaty modelled after the Tlateloco Treaty authorising a Latin American free-zone. Welcomed by Western states, the proposal was not tied to a settlement of other Arab-Israeli issues and as such represented a change in Israeli policy. But working with, and thus accepting, Israel while other major problems were outstanding was not to Arab liking; hence, the proposal got nowhere. Conceivably, all Middle East free-zone resolutions were meant chiefly to embarrass the other side, not to produce military denuclearisation. Israel stood the most to lose militarily by the implementation of any free-zone formula.

Pre-Osiraq, the non-proliferation regime could not or would not take steps to deal with Israel's 'bomb-in-the-basement' apart from what has been reported above. NPT Review Conferences issued general appeals to non-NPT states to adhere; but none of the critical nations (Argentina, Brazil, India, Israel, Pakistan and South Africa) did so. As to Israel, it was not only an instance of a dynamic and resilient state having a close superpower friend. Israel also represented something not peculiar to itself or the Middle East or clients of the US, namely, the national use of covert or nearly covert means to provide for its defence under the theory of sovereignty which international relations continued to uphold.

Israeli perceptions and policies towards Iraqi nuclear activities

The tap root of the Osiraq strike was the perception of Israeli Labour and Likud-led coalition governments that Iraq's emerging nuclear activities would sooner or later conflict with Israel's Middle Eastern nuclear-bomb monopoly. The monopoly provided the Jewish state with unique regional defensive or offensive weapons and bargaining leverage with the US and perhaps other nations. Perforce, the Rabin Government of 1974-7 and the Begin Government beginning in May 1977 did not ventilate their basic objections to Iraqi nuclear developments with reference to Israeli capabilities; rather, they portrayed the fundamental issue as one of an alleged Iraqi search for nuclear weapons as an integral part of an Iraq's putative ambition to use any military means to defeat Israel and to unmake the 'Zionist entity'. That the Baghdad regime was engaged in such a quest and had the intentions attributed to it cannot be proven or disproven.

Clearly, Iraq was in a state of war with Israel and through support to

Palestinian forces and diplomatic and propaganda efforts represented itself as a leading opponent of Israel. To some major degree, Iraq's anti-Israeli stance and conduct were meant to try to offset its Arab arch-rival, Syria, and impress the Arab world. Part of the pan-Arab effort was to alert Arab states to the possibility that Israel might use nuclear arms in a fifth Arab-Israeli war; it was this message which Iraq delivered to the Arab League meeting of 1977, thereby giving Israel and others slight evidence to support charges that Baghdad was going for the Bomb and would use it against Israel.

Another part of Iraq's Middle Eastern ambition was to become the dominant Gulf power. This vainglorious policy led Iraq to start a massively costly war with an Iran much less weak than Iraq had supposed. Post-Osiraq, Iraq employed chemical weapons against Iran in violation of Iraqi ratification of the Geneva Protocol. Thereby, Iraq opened the door to critics to apply retroactively Iraq's violative conduct to its alleged nuclear bomb intentions. Thus critics claimed that Iraq would not have hesitated to violate non-proliferation norms to use nuclear weapons, if they could have been acquired, against Israel or Iran. The logic of such claims is too convoluted to be accepted.

Iraq's nuclear conduct did prove that it planned to go well beyond its possession of a small Soviet-provided research reactor and use its oil wealth and supply leverage with willing France and Italy to create an advanced nuclear complex at Tuwaitha. Although Iraq had military and political ties to the Soviet Union, it declined to further Iraq nuclear ambitions. Tuwaitha's ostensible purpose was to engage in peaceful nuclear activities for the sake of Iraqi and Arab development. All this was to be done under IAEA safeguards required by the NPT, which Iraq had ratified in 1969.

In 1975 and 1980 Iraqi's leader, Saddam Hussein, or his regime's media made ambiguous statements about Iraqi nuclear ambitions which can be interpreted either as confidence-building euphoria or evidence for Iraqi intentions to use Osiraq eventually to produce nuclear arms.⁶ Even in the latter case, one might judge that bilateral nuclear deterrence, not nuclear strikes, was Iraq's goal. But Israel's nuclear bomb monopoly perspective did not accept any nuclear balance of terror on the superpower model between Israel and an adversarial state.

Beginning in late 1974, at the first signs of Iraq's nuclear diplomacy with France which was launched in the wake of the oil supply crisis,

⁶ Spector, *The New Nuclear Nations* (1985), *op. cit.*, pp 165-6.

Israel's strong representations with France and the United States focused on a 1975 France–Iraqi agreement. The accord provided for the transfer of a large (40 MW, but not 70 MW as Israel sources claimed) Material Testing Reactor of the kind typically used by advanced industrial nations capable of manufacturing power reactors. Worth about \$275 million and related to arms and oil trade, the package included highly enriched uranium fuel, together with construction, training and follow-through assistance. Based on a French model, Osiraq was sold instead of a gas graphite power reactor having a greater plutonium producing capacity which the Giscard–Chirac government had declined to provide. Not a NPT party, but pledged to act like one, France was also engaged in the 1970s (much to American regret) in proliferation sensitive nuclear export dealings with non-NPT Pakistan and NPT South Korea.

Started under a Labour administration, Israeli objections to European sales of nuclear items to Iraq mounted with the emergence of the Begin Government in May 1977. Basic sources were Israel's likely, though unacknowledged, regional nuclear-bomb monopoly, elite unwillingness to accept any Arab proliferation capabilities, Begin's projections of his Holocaust traumas on to Saddam Hussein and the Likud Coalition's militancy.

The Israeli regime's case against European suppliers and Iraq purchases, which were not violations of non-proliferation rules, asserted that the sold and eventually transferred nuclear items were well in excess of the needs of a country in an early nuclear stage.⁷ Osiraq was said to be appropriate only for states capable of producing nuclear power reactors. Osiraq's highly enriched fuel had proliferation risks. Israel also objected to Italy's sale of laboratories unsuited to 'hot' operations, though capable of being upgraded to do plutonium separation work. Another object of criticism was Iraq's purchase of uranium from Brazil, Italy, Niger and Portugal. Theoretically, the ore could have been used for proliferation ends.

In 1983 specialists appointed by the United Nations Secretary-General concluded in their study that detection of highly enriched fuel

⁷ *The Iraqi Nuclear Threat—Why Israel Had to Act*, Jerusalem: Ministry of Foreign Affairs and Atomic Energy Commission, 1981. Some parts of the Israeli case were ventilated before the strike. Antipodal to Israel's case, an expert study of the Osiraq raid and related issues which was submitted to the United Nations Secretary General in October 1983 held, *inter alia*, that the strike had violated the non-proliferation regime, caused a profound setback to Iraq's peaceful nuclear development and weakened restraints on preventive attacks against nuclear facilities. See A/38/337.

from Osiraq would not have been difficult and that under normal conditions the reactor would have produced virtually no plutonium. The study held that under a worst case scenario only approximately two kilograms of plutonium would have been produced annually, while eight kilograms are needed to conduct a nuclear explosion. It was said that the laboratories had *bona fide* research purposes; IAEA safeguards would have followed the introduction of material into the laboratories.

Troubling to Israel and independent observers were Iraq's unsuccessful efforts in 1980–81 to obtain depleted-uranium-metal-fuel pins, a heavy-water power reactor and a reprocessing unit from Western sources. (There were post-raid reports of a 1982 Iraqi interest in probably non-existent plutonium offered by Italian smugglers in what may have been an effort to entrap Baghdad.) Iraq's actual or attempted nuclear purchases built up circumstantial evidence of proliferation intentions.

Before and after the raid, the Begin Government stressed that the nuclear transfers represented threats to Israel because of the allegedly irrational nature of Saddam Hussein, who was held to be without scruples within and outside of his country. Clearly, Israel denigrated the capability of the NPT-IAEA to safeguard Osiraq against proliferation misuse by Hussein.

The US was aligned with parts of the Israeli charges. But it is unclear how much Washington did about the Israeli allegations against Iraq and its suppliers. American diplomatic aid to Israel may have been limited by Iraq's compliance with the NPT and IAEA safeguards, the international legality of the sales, United States ties to France and Italy, an interest in not antagonising Iraq and doubts about Israel's reading of Saddam Hussein's intentions.

A conjectural argument can be made that Israel was the United States' proxy. Two matters may be cited. In October 1980, the same month of Israel's decision to strike Osiraq, Israeli specialists consulted at their request with staff members of the United States Nuclear Regulatory Commission about the likely results of a hypothetical hitting of an unidentified nuclear plant by 2,000 lb bombs, the kind the Israeli Air Force subsequently used against Osiraq.⁸ In a post-raid outburst against American condemnation of the Osiraq strike, Begin claimed that the United States had provided him with unsettling intelligence on Osiraq which he had used in making his decision. The Reagan

⁸ *The Washington Post*, 19 June 1981.

Administration was not pleased with this revelation. Still, the US seems to have been genuinely surprised by the raid, and not only by its timing.

Subjected to negative American, Israeli, and Syrian pressures regarding the proposed sale of the highly enriched uranium fuel to Iraq, the French government attempted but failed to secure Iraq's consent to accept low-enriched fuel. Iraq did accept some major technical and staffing measures to strengthen non-proliferation. For Israel's part, it may have authorised the use of violence in 1979 and 1980 resulting in property damage and loss of life to try to stop Osiraq's completion in France and Italian provision of the laboratories.

All means failed to prevent the export and installation of the nuclear items; the completion of Osiraq proceeded under French supervision. The IAEA certified Osiraq in June 1980. After an Iranian air attack in September 1980 caused minor damage to the reactor and a delay in the inspection schedule, another IAEA inspection the following January found no evidence of diversion of materials. But by then the Israeli government had already decided to destroy the reactor by military force.

There was time for a peace line in the form of an Israeli revision of its free-zone stance in the United Nations General Assembly. In November 1980, Israel changed policy and supported the standard free-zone resolution proposed by Egypt. Israel's vote made possible a world consensus on a free-zone formula for the Middle East. The shift appears to have been motivated by Israeli interests in a) projecting a peaceful profile at a time when Israel was vigorously objecting to Iraqi nuclear events; and b) laying the ground-work for an Israeli counter to unfavourable world opinion expected to be generated by the execution of the secret decision made the previous month to strike Osiraq. The execution was put off in deference to the American elections and governmental transition in Washington.

The opportunistic nature of Israel's vote for the NPT free-zone resolution in late 1980 was evident in Israeli positions taken at the time. Israel indicated that it had no intention of implementing the resolution's call for non-proliferation pledges and movement toward NPT adherence, which would require Israel to accept full-scope safeguards. Attempting to discredit the NPT system, Israel claimed that Iraq had been exploiting the respectability of NPT adherence and accompanying safeguards applied by the IAEA over declared facilities at Tuwaitha while pursuing proliferation goals. Israel claimed also that many Arab states could interpret their present or future NPT adherence

is not applicable to their relations with Israel, because they regarded themselves to be at war with Israel.

Indicative of Israel's desire to appear constructive, during the 1980 JN session Israel introduced a draft resolution re-proposing the Latin American free-zone model for the Middle East which Israel had suggested six years before. Based on a restatement of the Israeli free-zone policy announced in the Knesset on 30 July 1980, the resolution carried no preconditions for holding a multilateral free-zone conference. After receiving favourable Western reactions and negative Arab responses, the resolution was withdrawn.

At about the time of this exercise, what were Israel's pre-strike nuclear forces, which Israel was determined to keep unchallenged in the region? Taken sometime in 1980 and reliably reported in early 1981, an American intelligence analysis indicated that Israel had as many as 200 nuclear weapons fully assembled and with the same number of varied delivery systems.⁹ Israel had come a long way since the early 1960s. The arsenal was a substantial military resource to be kept free of any Arab competition and undeterred by any possible regional balance of nuclear terror.

At the end of 1980, the opposition Labour leader, Shimon Peres, was invited to the Prime Minister's office and told by Menachem Begin of his great concern about Osiraq.¹⁰ There was no discussion. Subsequently learning of the October 1980 strike decision and leading in polls for a forthcoming general election, Peres wrote to Begin in May and asked him 'not to do it and certainly not under these conditions and timing.'¹¹ A friend of the newly elected French President, François Mitterrand, who was known to be more sensitive to Israel than his predecessor, Peres wrote that 'Materials can be changed with another material . . . but what we want to prevent can be hastened.' Furious about Peres' knowledge of the strike decision and rejecting the advice, Begin set up a small group to select an attack date.

The Osiraq raid and its immediate aftermath

World attention was drawn to Middle East nuclear issues when the Israeli Air Force, using American-built F-15s and F-16s, overflew Saudi

⁹ *Foreign Report*, 1981, *op. cit.*

¹⁰ Perlmutter, *op. cit.*, 1982, p. 39.

¹¹ *Ibid.*, p. 40, citing *Haaretz*, 9 June 1981.

Arabia and Jordan and destroyed Osiraq, then under construction, on June 1981.¹² There was a report that the destruction was actually caused by Israeli agents on the ground, so as to coincide with the aerial attack;¹³ but this report has not been corroborated. Causing two deaths, the planes returned safely to a heroes' welcome.

Justifying a world 'first' in the name of 'supreme national interest' Prime Minister Begin offered a battery of notions in anticipation of or in response to external criticisms. *Inter alia*, the Israeli leader asserted that Iraq intended to proliferate beneath allegedly illusory IAEA inspection and use nuclear weapons against Israel, *regardless of the consequences to Iraq*. Some press citations offered by Begin as evidence of Iraq's intentions were authenticated, while others were not. Begin incorrectly charged that Osiraq had a 'bomb-chamber'.

The Prime Minister asserted that the non-proliferation regime and European suppliers manipulated by oil-exporting Iraq had grossly neglected their responsibilities, thereby endangering Israeli security. Expressing a humanitarian concern for Iraqis, as well as his own people, Begin said that the attack was timed before Osiraq went critical in order to avoid causing deaths in Baghdad. This statement did not withstand technical scrutiny. The leader denied that the strike was timed to influence elections in Israel. Begin held that some Arab states secretly appreciated Israel's action as a check to Iraqi ambitions.

Virtually all regimes and leading press editorials world-wide strongly condemned Israel's attack as an act of aggression creating a destabilising precedent for anti-proliferation. West European, Soviet and Third World opinion was sharply negative. Having met Begin only two days before the raid, Egypt's President Anwar Sadat was particularly disturbed. The strike was highly popular in Israel. American reactions varied. Some members of Congress defended Israel's action and faulted the non-proliferation regime, European suppliers and Iraq. Other Congressmen worried about 'vigilante tactics

¹² Sometimes conflicting or at least varying evaluations of the Osiraq raid, Iraq's nuclear plans or the adequacy of Osiraq safeguards are found in Shai Feldman, 'The bombing of Osiraq revisited', *International Security* (7) Fall 1982, pp 114-42; H Gruemm, 'Safeguards and Tamuz', *IAEA Bulletin* (23) December 1981, pp 110-14; Istavan Pogany, 'The destruction of Osiraq: A legal perspective', *The World Today*, (37) November 1981, pp 413-18; and Charles N Vai Doren, 'Iraq, Israel and the Middle East proliferation problem', a report prepared for the Arms Control Association, Washington DC, 1982. The Begin government's views are found in *The Iraqi Nuclear Threat—Why Israel Had to Act*, op. cit., 1981. Criticisms of Israel's action are found in *Arab Perspectives*, special issue (July 1981). There were several US Congressional hearings on the Osiraq raid.

¹³ *The Sunday Times* (London) 11 October 1981.

and wider questions of precedent, Israel's self-help and Middle Eastern peace. Congressional hearings tended to be dominated by Israeli apologists and a former IAEA inspector's testimony on the inadequacies of IAEA safeguards and Iraq's alleged bomb intentions.

Among non-partisan specialists, no consensus developed about Iraqi intentions or proliferation techniques which Iraq might conceivably have attempted. A former US Arms Control and Disarmament Agency official held that there was a high probability that any presumed Iraqi efforts to secure bomb-grade materials would have been detected by IAEA inspectors or French technicians contracted to be in Tuwaitha until 1989.¹⁴

Condemning the raid, President Ronald Reagan also expressed understanding for Israel's concerns stemming from Iraq's refusal to sign a cease-fire with or to recognise Israel. Although Washington had had pre-raid concerns about Tuwaitha expressed in exchanges with Israel and efforts to prevent or moderate French and Italian transfers, Department of State officials held after the strike that the US had no evidence that Iraq had violated or was violating the NPT or IAEA safeguards. The Administration denied that the United States had been consulted about the raid or informed about it in advance, thereby implicitly rejecting Soviet innuendos to the contrary. The Executive Branch indicated that it was disturbed that Israel had not exhausted diplomatic remedies and that the attack had damaged the Habib mission and other American peace efforts.

In the United Nations Security Council the United States joined with outraged, but also prudent, Iraq to reach agreement on a condemnatory, non-punitive resolution. Taking notice that the IAEA had found that its safeguards had been satisfactorily applied to Tuwaitha, the unanimously adopted Resolution 487 of 10 June 1981, (1) strongly condemned Israel's attack as a violation of the United Nations Charter; (2) called upon Israel not to repeat its conduct; (3) held that the attack was a threat to the IAEA-NPT regimes; (4) recognised the right of all states to pursue peaceful nuclear development consistent with non-proliferation; (5) called upon Israel to submit its nuclear facilities to IAEA safeguards; and (6) held that Iraq was entitled to redress, which it did not seek in order to avoid dealing with its adversary.

Having spared Israel an arms embargo, American policy in the

¹⁴ Van Doren, 'Iraq, Israel and the Middle East proliferation problem' 1981. *op. cit.*

Security Council was explained by Ambassador Jeanne J Kirkpatrick as being based solely on Israel's failure to exhaust diplomatic resource and having no deleterious impact on American support of Israel's security. To demonstrate symbolic disapproval of Israel's conduct Washington imposed short-lived delays in the delivery of aircraft to Israel and began a study of whether Israel's use of American-supplied aircraft had violated United States law. Raising questions about Executive sincerity, if nothing else, the study was never completed. A positive finding would have obliged the United States to end the arm transfers to Israel, which were not diminished.

Against the world, Israel denounced Resolution 487 and defended its self-help conduct as legal, moral, vitally necessary and a service to non-proliferation.¹⁵ Israel's standing in American opinion declined because of Executive Branch disapproval and Security Council censure of the Osiraq raid, thereby increasing difficulties for Mr Begin's post-raid visit to the United States and aiding successful Reagan Administration efforts to sell AWACs to Saudi Arabia over the strenuous opposition of Israel's Congressional partisans. But in the Middle East Israel was not restrained by the bombing episode and eroded American support. Following the June 1981 election, which kept the Likud-led coalition in power by a slim margin, the Begin Government rode out American regime criticism of Israel's massive strike on Beirut.

Entangled in a costly war with Iran, Iraq responded only in verbal and diplomatic ways to the Osiraq attack. In addition to recriminations Saddam Hussein invited states opposed to the aggression and supportive of mutual nuclear deterrence to keep the peace to assist Arabs to obtain weapons to check Israel's threatening nuclear arms. Smarting from Western judgements that this statement demonstrated his proliferation intentions, Hussein said that he had only wished to call attention to the danger posed by Israel's possession of nuclear arms and he repeated his assurances that Tuwaitha was dedicated to peaceful ends.

Pledging to replace Osiraq, the Iraqi leader received a funding promise from Saudi Arabia and supplier encouragement from France. Importantly, France said that low-risk 'caramel' fuel would be substituted for the highly enriched uranium fuel which had been partially shipped to Tuwaitha. Anti-proliferationists may be concerned

¹⁵ The UN should reimburse Israel for the costs of its anti-proliferation contribution, according to the *Jewish Advocate* (London) 2 July 1981.

about the 12.5 kilograms of fuel which is still at Tuwaitha. Domestic and external pressures on Iraq would seem to be too great to allow any proliferation diversion of this fuel, which is still subject to IAEA oversight.

Of all the issues raised by the Osiraq raid, the Begin preventive strike doctrine may be the most significant psychologically and strategically. Immediately after the attack, the Israeli leader declared that the strike meant that Israel would not tolerate any 'enemy' whether 'Arab or non-Arab', acquiring nuclear weapon capability, as well as an actual bomb programme. The 'any enemy' formulation was meant to include, not only Libya, but also non-NPT Pakistan, based on its unsafeguarded enrichment and re-processing activities and its reported interest in producing nuclear explosives. Before the raid, Israel had warned of Pakistan's suspected nuclear bomb plans. The 'capability' provision was intended to cover virtually any nuclear programme with sensitive materials, even if subject to IAEA safeguards, such as Osiraq had.

Nowhere in the Begin pronouncement was any respect shown for the NPT or IAEA safeguards. Israel alone would determine which nuclear operations 'threatened' Israel. Security Council Resolution 487 asked Israel not to repeat its conduct, but it did not ask Israel to withdraw its preventive strike doctrine. The withdrawal question impelled several nations to pursue the question in other international organisations.

Osiraq issues five years on

In some respects, major issues raised by the Osiraq episode have not withstood the traumas of the attack, the passage of time or the weight of evolving politics. Other leading questions have persisted in the same or modified forms which they had in mid-1981. Influencing all questions have been background forces operating before the preventive strike, notably, Israel's regional nuclear-bomb monopoly and rejection of mutual deterrence, Arab nuclear underdevelopment, an imperfect non-proliferation regime and United States indulgence and subsidy of Israeli behaviour.

Although Security Council Resolution 487 reaffirmed the right of all states to pursue peaceful nuclear development consistent with non-proliferation, Iraq had not replaced Osiraq nor secured any nuclear equipment or materials for Tuwaitha by late 1985. In early 1984 Iraq announced that the Soviet Union would supply a safeguarded power

reactor. Based on historic Soviet practices, the reactor, if it materialises, would add an anti-proliferation presence in Iraq.

As to European suppliers, France indicated in 1982 that, in addition to an insistence on 'caramel' fuel from any possible replacement for Osiraq, Iraq should secure a wide Arab involvement in Tuwaitha. As of December 1985, there were no firm indicators that Iraq had accepted these requirements or, indeed, that France was actively interested in a renewed supply role. Concern for domestic and international political repercussions and a vastly improved oil supply may have diminished French interest.

French and Iraqi fear of another Israeli strike may have minimised nuclear activism. Possibly aided by an American later arrested on charges of spying for Israel,¹⁶ the 1 October 1985 Israeli raid on the PLO's Tunis headquarters reminded observers of Israel's retaliatory power. Although Baghdad and Paris have settled their accounts on the destroyed Osiraq, the financing of a replacement may be a leading problem in a period of low-Iraqi oil exports and depressed oil prices. Last but not least, Iraq has a vital stake in ending the Iraqi-Iranian war costing approximately one million lives and vast sums. Against this stake, nuclear energy must have a lower priority. An issue in the 1985 NPT Review Conference, Iraqi attacks on an Iranian reactor site in 1984 and 1985 injured Baghdad's case against the Osiraq bombing.

The resumption of full American-Iraqi relations in November 1984 may hold out some hope for a revived nuclear future for Iraq. In an American perspective, the costs of such a revival are likely to be Iraq's acceptance of increased IAEA controls and recognition of Israel's right to co-exist peacefully with other nations. Although a post-raid Hussein comment to an American Congressman acknowledged Israel's need for security, Iraq's reported favours for Abu Abbas of *Achille Lauro* fame suggests that the Hussein regime has not yet moved to where it might abandon a confrontation posture in return for Western favours. Political change is always possible.

The Arab world's potential for securing nuclear arms was dealt a devastating blow by Israel's self-help. If one assumes that Iraq had proliferation goals, there is no foreseeable alternative to fill Iraq's place.¹⁷ Subject to active external and domestic opposition to the

¹⁶ *The Chicago Tribune*, 4 December 1985

¹⁷ There is an 'Islamic Bomb' scenario in which Pakistan develops nuclear weapons and provides them to Libya or some other state within the strict Middle East confines. If Pakistan acquire nuclear arms, it is highly unlikely that national interest and external factors would result in any 'passing' of the Bomb; it would be 'Islamic' in the sense that Z A Bhutto envisaged.

Qaddafi regime, as well as to NPT control and Soviet anti-proliferation, Libya offers an unlikely basis for a nuclear-bomb future. For some of the same and different reasons, the point holds also for Iran. Promised a Soviet-built power reactor, NPT Syria is not a likely proliferation candidate. Non-NPT Algeria may conceivably acquire a nuclear status in the long run, but probably only through NPT adherence, and therefore, one assumes, in a strictly peaceful mode. NPT Egypt is showing the way to a peaceful, but limited nuclear future for Arab states.

What can be said of the non-proliferation regime's responses to the Osiraq assault on its integrity? The 'have' NPT architects, Britain, the Soviet Union and the US, spoke through Security Council Resolution 487. Britain, France and the US had opposed mandatory sanctions against Israel. No further Security Council consideration of the Osiraq affair emerged. Bilaterally, the US asked Israel (with no success) to adhere to the NPT; as in the past, Washington applied no special pressure.

Bristling at world censure, Prime Minister Begin said in late June 1981 that Israel would open all of its nuclear operations to inspection only when the Arabs made peace with Israel. This declaration appeared to end Israel's unconditional approach to a free-zone conference. Yet in the General Assembly Israel repeated its unqualified offer to engage in a multilateral conference on a free-zone, as if nothing had happened in Middle Eastern nuclear affairs. As Israel resumed an abstentionist stance, the standard Middle East free-zone formula proposed by Egypt was adopted in every General Assembly session after the Osiraq raid.

Although the US condemned the raid, Washington became the protector of Israel from punitive steps within the IAEA, which consists of non-NPT states as well as NPT parties. Thus, only Canada and the United States voted against an IAEA Governing Board move in 1981 to recommend that the IAEA General Conference consider ending IAEA technical assistance to Israel and suspending Israel's membership rights. Among the supporters of the resolution were Japan, Mexico, the United Kingdom and Yugoslavia, all prominent NPT partisans.

In the event, the General Conference suspended technical assistance to Israel. The matter of abrogating Israel's rights to participate in the IAEA brought a struggle pitting the United States and a few other countries against many IAEA members. Compounded by Israel's invasion of Lebanon in 1982, anti-Israeli opinion in the General Conference led to its vote in September 1982 over the objections of the

United States and a few other nations to bar Israel's credentials to attend the agency's annual meeting. A protesting United States and a few others withdrew from the IAEA session and boycotted the Governing Board's meeting. The United States also began a reassessment of its IAEA participation which halted financial contributions. The ban was lifted in early 1983 when Washington expressed satisfaction that the IAEA board had taken action to meet Congressional terms to protect IAEA's participation in the agency's meetings. Not for the first time, America's funding power checked majority world opinion.

Essentially unaddressed in both IAEA and United Nations discussions of 1981-5 was the question of whether, and if so, how, to create an international regime to protect safeguarded, ie peaceful use, nuclear facilities everywhere against military attack. An issue on which Sweden has been especially active, the topic has been explored in the Conference on Disarmament within its discussion of a ban on radiological weapons. As indicated by US conduct in the Third NPT Review Conference last year, Washington is not anxious to move forward in this area.

In international organisations the focus of majority opinion remained on the Osiraq raid and Israel's threat to repeat its behaviour under appropriate conditions. Criticism of the 'Begin Doctrine' was implied by Security Council Resolution 487's call to Israel not to repeat its conduct. However, Third World and socialist nations wanted Israel to do something to admit its guilt. Israel did not oblige in response to varying anti-Begin Doctrine resolutions in the United Nations General Assembly and IAEA General Conferences. The Western and some other nations opposed these moves.

Conceivably, the United States influenced Israel to take steps to mollify world opinion and prepare the way for a possible Israeli purchase of a safeguarded nuclear power reactor. The *fait accompli* of the Osiraq raid also added its weight to produce changes in Israeli expressions of policy, if not basic policy itself. The passing of Mr Begin from the political scene and the emergence of the Peres-led Coalition in 1984 may well have been influential.

For whatever reasons, Israel took four steps in 1983-5. First, Israel narrowed the Begin Doctrine through the Arens Amendment to cover only Arab reactors dedicated to military purposes, thereby excluding non-Arab countries, notably Pakistan. Second, Israel said that it supported the IAEA when the agency remains true to its principles.

Third, Israel held that peaceful-use nuclear operations must be inviolable from military attack. Fourth, Israel affirmed that it did not have a policy of attacking, or threatening to attack, peaceful nuclear operations anywhere.

Raising questions about the credibility of Israel's new IAEA line were statements in March 1985 coming from Prime Minister Peres' Office and Cabinet member Ariel Sharon which held that Israel was prepared to attack any Iraqi reactor deemed by Israel to be a threat to Israel. In the IAEA's 1985 General Conference Israel tried to explain away these statements cited by Iraq and stressed that Iraq was covered by the new line.

Dissatisfied with Israel's modified policy, the communist and several, but not all, Third World nations continued to seek a full Israeli withdrawal of the Begin Doctrine. The goals were to secure a direct or indirect admission that the Baghdad raid was unjustified, the Osiraq safeguards were effective, Iraq was not on a bomb-path and preventive strikes on safeguard reactors were generally unjustified. A less evident objective was to embarrass the United States, the prime mover in defending Israel and holding that the Osiraq case led to an unwarranted 'politicisation' of the specialised IAEA.

The effort to achieve these goals experienced a serious setback in the 1985 IAEA General Conference. A resolution supported by all Arab states, Iran and the Eastern bloc failed to receive a necessary two-thirds majority to pass an Iraqi-sponsored resolution. The resolution called upon Israel to withdraw the Begin Doctrine, and the IAEA to withhold research and purchase agreements with Israel and refrain from scheduling meetings in Israel.

Before the vote Israel had circulated a letter enlarging upon its no-attack and no-threat statements regarding peaceful nuclear facilities and supporting any action in competent bodies to negotiate an accord protecting peaceful nuclear operations from attack or threat of attack. Importantly, the United States had pledged to quit the meeting and withhold IAEA funding, if the resolution were passed. After the failure of the punitive measure, the General Conference barely adopted a resolution sponsored by Nordic states which criticised the Osiraq bombing, considered Israel's letter as an undertaking and asked Israel to accept full-scope safeguards.

Resurfacing in the United Nations General Assembly in Autumn 1985, the Osiraq issue was the impetus for a resolution sponsored by Islamic states. The resolution held that Israel had not yet committed

itself not to attack or threaten to attack nuclear facilities, called on Israel to accept full-scale safeguards, urged all states to cease any nuclear cooperation with Israel and condemned all attacks on all peaceful-use nuclear facilities. Not subject to effective American pressures, the body passed the resolution over the objections of Western members and Israel, which had argued that its forthcoming letter to the IAEA had closed the issue. Having significance well beyond Mid-eastern conditions, the Osiraq controversy lives on in world opinion.¹⁸

We are left, then, with the issue of those countries which might possibly emulate the Osiraq raid. There are two relevant sets of nuclear rivalries involving non-NPT nations. Leading Brazil in enrichment and re-processing development, Argentina has remained, with its neighbour, outside the Latin American free-zone's effectiveness. Periodic statements from sub-presidential levels in both nations which have hinted at movement towards nuclear-bomb making capacity and the fact of unsafeguarded, sensitive nuclear facilities in the two states have troubled anti-proliferationists. Importantly, there have been no signs of inter-state tensions suggesting that military action against nuclear operations might be tempting. The joint presidential declaration of the two nations on peaceful nuclear cooperation issue in late 1985 offers reassurance that the neighbours will not divert nuclear resources to military ends.

Not true of Argentina and Brazil, India and Pakistan have ethnic, ideological, religious and territorial problems between them which have led to costly wars and recriminations. These sources have contributed to Pakistan's apparent effort to secure nuclear-weapon grade material and nuclear bomb components as a reaction to 1971 losses, India's nuclear-explosive test three years later and Pakistan's Islamic ambitions.

Bringing Indian objections, US anti-proliferation law was amended to permit American arms transfers to Pakistan in the wake of the Afghan crisis. The Zia regime's striving towards nuclear self-sufficiency through an unsafeguarded enrichment programme and other means, and reported receipt of nuclear-bomb making aid from China have

¹⁸ The topic is explored in Bennett Ramberg, 'Nuclear energy in war: the implications of Israel's reactor strike', *Working Paper* No. 34, Center for International and Strategic Affairs, University of California, Los Angeles, 1982. The Final Declaration of the Third NPT Review Conference (1985) took a sombre and cautionary stance on armed attacks on safeguarded facilities, or threats of such attacks.

vexed Western anti-proliferationists and stirred pre-emptive strike ideas in Indian opinion. Freed before the emergence of the Rajiv Gandhi Government from the impact of American nuclear export law, India has been advancing its peaceful use nuclear programmes outside IAEA safeguards. New Delhi has consistently rejected free-zone proposals for South Asia suggested by Islamabad and endorsed by the UN General Assembly on the grounds that a much wider area must be considered as the potential region of denuclearisation. The recipient of Soviet-made arms supplied on concessionary terms, India has continued to dominate the subcontinent, despite domestic security problems.

It is improbable that the Gandhi Government, one of the signatories of the Five Continents Peace Initiative urging nuclear disarmament, would emulate the Osiraq raid, even if the Zia regime, at great cost to its relations with the United States, were to be deemed to have acquired nuclear bombs. Unlike Jerusalem, New Delhi would be apt to accept a nuclear bomb neighbour, ie a regional balance of terror, which in the South Asian case would be based on a restarted or new Indian nuclear bomb programme. Brightening the South Asian picture considerably without necessarily barring proliferation futures, Prime Minister Gandhi and President Zia agreed in late 1985 not to strike at each other's nuclear facilities.

In sum, there would appear to be no situations outside the Middle East where the Israeli preventive strike is likely to be emulated. For that much the world may be thankful.

Conclusions

Iraq's known nuclear purchases centring around Osiraq and later revelations of attempted purchases from Western sources had troubling implications for non-proliferation. Israel invoked the implausible spectre of an Arab Bomb to be inflicted on Israelis, regardless of the consequences for Iraq. The spectre provided Israel with a rationale for its destruction of a reactor whose operation had not yet begun and which was under external and on-site scrutiny to detect possible diversions of weapon-grade materials. Seeking gradual improvements on a universal basis within a regime of state sovereignty, the IAEA safeguards system has slowly begun to recover from the Begin Government's damage to the IAEA's integrity and reputation.

The underlying purpose of the Tuwaitha raid was to protect Israel's regional nuclear-bomb monopoly, which rejects mutual deterrence of

the kind the nuclear giants practise. If one assumes that Iraq posed a threat to the monopoly, the purpose was realised. Contrary to the projection of some analysts, no Arab nuclear bomb effort has emerged as a consequence of the Osiraq strike, nor is such an effort even vaguely foreseeable in this century. This is the case because of a host of developmental, political and legal factors in which the non-proliferation regime plays a major role through the NPT-IAEA and an anti-proliferation ethic.

The Osiraq episode has not ushered in a new nuclear age in the Middle East. Nuclear affairs have not become intertwined with high regional politics. Under the pressure of self-interest and world opinion, Israel has whittled down the Begin Doctrine, which has not been copied elsewhere. Holding a semi-hegemonic military position *vis-à-vis* all Arab states, several of whom are adjusting to the new circumstances, Israel has serious economic problems based in part on an overweight defence budget. There are also unresolved Palestinian issues, but no united Arab front or extra-regional power to press them to the point of extracting major Israeli concessions.

In civil nuclear energy, the Middle East has not moved far in nearly five years. If political, legal and funding conditions permit, in the future Egypt, Iraq, Iran, Israel, Libya, Syria and Turkey may gain safeguarded power reactors. Israel is the only one of these countries rejecting the NPT.

Israel has considered building its own power reactor. Ironically, Israel may secure one or two safeguarded power reactors from France, the supplier of Osiraq, but, conveniently for Israel, a non-conformist on full-scope safeguards requirements. Israel has been more interested than France in such a sale. Strong objections have stemmed from NPT Egypt and Saudi Arabia, which is presumably still committed to Osiraq's replacement, and from recollections of France's aid to Israel's unsafeguarded nuclear development. Other opposing forces: American stakes in the full-scope ethic and concern that US aid to Israel might indirectly subsidise a nuclear import which Washington opposes in principle.

Favourable factors include lack of American objections to French replacement of US nuclear fuel supply to non-NPT India, Israeli lobby power in Congress, and a Carter pledge at Camp David to maintain technological parity between Egypt and Israel.¹⁹ NPT Egypt's reactor.

¹⁹ *Nuclear Engineering International* (30) July 1985, p. 15.

may be a hostage to non-NPT Israel's reactors. If the non-proliferation regime and development needs are given unbiased attention, Egypt's sale should go forward first.

There are serious financing problems for all Middle Eastern states seeking nuclear power stations. None of the civil energy reactors are apt to be as controversial as Osiraq, nor certainly as strategically important as Israel's unacknowledged nuclear-bomb arsenal.

More than one analyst sympathetic to Israel has contended that the Osiraq raid bought time for Israel before the Arabs secured nuclear arms. The only race has been solo. There is bound to be conjecture in any unclassified discussion of Israel's nuclear arsenal since Osiraq. Nonetheless, notice should be taken of a reliable report that Israel has moved to acquire nuclear-armed Jericho II missiles, low-yield aircraft deliverable nuclear bombs and nuclear artillery shells.²⁰ A non-governmental estimate of Israel's nuclear bomb strength in 1983 suggested a maximum of 31 plutonium and 10 uranium atomic bombs; warhead yields vary from 10 to 200 kilotons.²¹ *The Economist's* 'Foreign Report' citation of an American intelligence study as of 1980 referred to 200 Israeli nuclear bombs with the same number of delivery vehicles.²² However, the discrepancy between the two estimates may be explained; there is a virtual certainty that Israel's nuclear arsenal has been increasing, not declining, nor remaining static. Germane to this subject is Israel's 1985 admission, following an indictment of an American exporter, that it had received illegally exported krytrons usable in industrial applications or as nuclear bomb triggers.

We have already suggested the meaning of Israel's regional nuclear bomb monopoly for the Middle East and the status of nuclear developments in the area. Mid-decade conditions in diplomacy and military balances indicate that it is highly unlikely that in the event of another Arab-Israeli war (which cannot now be envisaged). Israel's nuclear weapons would be apt to emerge. One may hypothesise a future Arab-Israel conflict in which Arab belligerents would have active Soviet support on the model of the 1973 war.²³ It is not far fetched to

²⁰ *Aero-Space Daily*, 1 and 17 May 1985.

²¹ Pry, *Israel's Nuclear Arsenal*, op. cit., 1984, p. 111.

²² See n 4. According to this source, Israel is developing cruise missiles with the aid of Taiwan and South Africa; the missiles are to be produced in South Africa.

²³ A Soviet news agency has claimed through a report issued in Beirut that Israel had tested nuclear explosive devices in the Negev and had forty nuclear warheads and matching missiles. *The New York Times*, 26 December 1985. No other source has reported the first part of this claim.

assume that Israel would have the capacity to reach the Soviet Union with Israeli nuclear weapons.

Yet the prospects are dim that Israel would be a nuclear threat to the Soviet Union to the extent of actually deterring Moscow from supplying conventional military aid to Arab forces. For Israel to try to practise such a deterrent power would require the kind of risk-taking in relation with the Soviet Union which would endanger Israel's survival to a degree that has never been present in Arab-Israeli relations, historic to the contrary. That Israel would move ahead of the United States in confronting the Soviet Union with Israeli nuclear weapons borders on the preposterous. Any Israeli-Soviet encounter, conventional or nuclear, would greatly increase the chances of a superpower war with or without the use of nuclear arms.

Conceivably, a future Israeli government might decide that its national interest would best be served by a radical cutback in Israel's undeclared nuclear arsenal under the general condition of widespread Middle Eastern political and legal acceptance of Israel's sovereign existence and military predominance in the region. The reduction would not be accompanied by what appears to be impossible, namely Israel's adherence to the non-proliferation regime through the NPT or nuclear weapon-free-zone.

This nuclear cutback scenario is unlikely ever to occur. Contrary factors include the heady experience of possessing nuclear arms, the influence of the military on Israeli politics, the relative economic and political cheapness of nuclear versus conventional weapons in all 'have' nations, and the 'strategic-ally' notion projected by American and Israeli politicians. What remains, therefore, is a picture of an Israeli 'bomb-in-the-basement' persisting in the long run. At the same time, Israel is not likely to have any major incentives for 'going public' in a world increasingly dedicated to horizontal and vertical non-proliferation.

Economic consequences of the Iraq–Iran war*

The Iraq–Iran war which has been going on for nearly six years will perhaps go down in history as one of the costliest conflicts in this century. It is estimated that the first five years of the fighting may have resulted in a toll of war dead approaching one million.¹ The economic cost of the conflict which may have already exceeded \$500 billion is also staggering in terms of its impact on and implications for the economies of the two nations.

Following a brief survey of economic conditions prior to the war in both countries, this essay will attempt to deal with three separate but interrelated issues: first, the effects of the war on the Iraqi and Iranian economies, second, the impact of the war on, and the role of Saudi Arabia in, the changing relative positions of Iraq, Iran and Saudi Arabia itself in the international oil market and third, an assessment of the prospects for economic development in the post-war period.

Economic conditions before the war

Iran

In Iran the period between 1973 (the year of the oil price revolution) and 1977 (the last full year prior to the events of the Iranian Revolution) was marked by an accelerated level of public spending which was made possible by the sharp increase in oil revenue. Development spending however was both mismanaged and disorganised giving rise to a number of serious structural problems including a high level of inflation, accentuated maldistribution of income, high levels of imports of both military and non-military goods, concentration of civilian spending

* I would like to thank James David Sweeny for his constructive comments.

¹ The literature on the causes of the war and the historical developments which led to it is voluminous. For a detailed treatment of relations between Iraq and Iran see J M Abdulghani, *Iraq and Iran: The Years of Crisis*, Baltimore: Johns Hopkins University Press, 1985, especially ch. 8. See also Phebe Marr, *The Modern History of Iraq*, Boulder: Westview Press, 1985, ch. 10. For a comprehensive analysis of the war, see Robert C Johansen and Michael G Renner, 'Limiting conflict in the Gulf', *Third World Quarterly* 7(4) October 1985, pp 803–38. For casualty figures, see *The New York Times*, 23 September 1985.

in urban centres especially the capital city of Tehran, and the concentration of economic power and benefits in the hands of a few families. The consumer price index rose from 6.5 per cent per annum in 1972 to 11.3 per cent in 1976 and resulted in the deterioration in the real income and living standards of those who depended for their livelihood on wages and salaries as such earnings failed to keep up with rising inflation. In order to stem the impact of inflation and to attempt to stabilise the economy the government decided in 1977 to create a recession by reducing public spending. The effects of this policy were exacerbated by the general economic stagnation in industrialised countries. The combination of these changes succeeded in reversing an average growth rate of gross domestic product (GDP) of 11 per cent per year for the period 1966–75 to a 2.1 per cent decline in 1977 to be followed by another decline of 5.3 per cent in 1978. This drastic decline in GDP failed, however, to control inflation which increased at an annual rate of 27.3 per cent in 1977 and another 11.6 per cent in 1978.² The economic recession and inflation succeeded however, in accelerating the pace of the political upheaval which was beginning to engulf Iran in 1977 and which continued into 1978. It was obvious by the second half of 1978 that the days of the monarchy were numbered. This was underscored by the national strike, industrial unrest, the oil workers' strike, and the general civil disobedience movement. It was in those months when the Shah attempted to salvage his regime by changing cabinets and prime ministers.³

The departure of the Shah, the collapse of his armed forces and the demise of the last Shah-appointed government of Shahpur Bakhtiar paved the way for the first cabinet in the newly established Islamic Republic of Iran headed by Prime Minister Mehdi Bazargan. Needless to say, the new regime hoped for a rapid economic recovery. But the damage which the economy suffered toward the end of the Shah's regime and the inevitable economic dislocation and disorganisation which characterise any revolutionary period made the hoped-for economic recovery an unrealistic goal. Among the many reasons for the failure of the recovery one must include the withdrawal of large

² International Monetary Fund, *International Financial Statistics: Supplement on Output Statistics*, Washington DC, 1984, pp 14–15.

³ For a review of the events which preceded the establishment of the new republic in Iran see Dilip Hiro, *Iran Under The Ayatollahs*, London: Routledge and Kegan Paul, 1985, ch. 1, especially pp 66–100. For a good summary of current economic developments in Iran, see The Economist Intelligence Unit, *Quarterly Economic Review of Iran (QER-Iran)*.

numbers of foreign skilled workers, the flight of capital, the decision of the new government to reduce the oil output by one-third and the emigration of cadres of Iranian managers, technocrats, administrators and other skilled workers. It should also be noted that the first year of the new Republic saw a wave of rural and ethnic unrest which diverted attention and energy away from the immediate problems of the economy. Iran's GDP continued its downward trend in 1979 when it declined by 6.4 per cent while inflation continued its upward trend as it rose by 10.5 per cent in the same year.

One of the most serious developments in 1979 was the hostage crisis which had significant implications for the economy. The freezing of Iranian assets in the United States and with foreign-based US banks meant the removal of some \$9 billion out of a total of \$15 billion of assets from Iranian control.⁴ In addition to freezing Iran's assets the Carter Administration succeeded in enlisting the support of other industrial countries in imposing economic sanctions against Iran. These sanctions together with the fighting which erupted in Khuzestan in the South, and Baluchistan in the West, the continued fighting in Kurdistan and the outbreak of war with Iraq contributed to the economic decline which characterised 1980.

In spite of this gloomy picture there were some healthy economic signs. These included the fact that Iran's external financial position was good, it was able to service its foreign debts, its industry was beginning to revive and oil output was moving upward. But these positive elements were not sufficient to offset the forces responsible for economic deterioration. The contest between the secular and religious wings of the Iranian Revolution to shape the post-Shah economy and society was fierce enough to slow down economic recovery in the first year of the Revolution.⁵

Although the government of President Abol-Hassan Bani-Sadr attempted to challenge the position of the clerical groups and to introduce some reforms in the economy, the opposition to Bani-Sadr proved too strong and too entrenched to overcome.

⁴ *Ibid.*, No. 2, 1980, p 13.

⁵ In 1979 the Revolutionary Committee for Economic Policy published a nine-point programme to guide the economy in revolutionary Iran. The programme stressed godliness over prosperity; minimum output of oil; involvement of religious education as a vital part of development; self-sufficiency in agriculture and industry; adjustment of development strategy to match spiritual needs and that all citizens should have equal claims on financial resources. See *QER-Iran* (4) 1979, p 12. See also Asaf Hussain, *Islamic Iran: Revolution and Counter-Revolution*, New York: St Martin's Press, 1985, pp 150-64.

Iraq

While the Iranian economy was experiencing revolutionary upheaval, Iraq in the years following the nationalisation of the Iraq Petroleum Company in 1972 and the 1973 oil explosion was busy trying to develop its infrastructure, its oil sector and its goods producing sectors and was also attempting to modernise its military. The 1975 Algiers accords with the Shah allowed Iraq to pursue its economic development plans unhindered by the cost of attempting to put down the Kurdish rebellion. And by 1979 Iraq displaced Iran as the second largest OPEC oil producer/exporter after Saudi Arabia.

The Iranian Revolution prompted Iraq to pause and re-examine its public spending pattern and priorities after having reached the conclusion in 1979 that a conflict with Iran might prove to be unavoidable. This in turn led the government to increase spending on defence and security needs.

Although the government continued to expand defence spending in 1980, it also made another major decision—to raise development spending and rapidly to increase imports of consumer goods. Thus, between 1978 and 1979 the value of imports went up from \$4.2 billion to \$9.9 billion or by 136 per cent. These imports rose again to \$13.8 billion in 1980, or by another 39 per cent. They further climbed in 1981 to \$20.5 billion or by yet another 51 per cent. That is, Iraq's imports between 1978 and 1981 increased from \$4.2 billion to \$20.5 billion, or by close to 400 per cent.

One of the most interesting aspects of this phenomenal growth in imports was the relative increase in the share of non-military goods (Table 3). While the value of military imports rose from \$1.6 billion in 1978 to \$3.7 billion in 1981, an increase of 131 per cent, non-military imports climbed from \$2.6 billion in 1978 to \$16.8 billion in 1981, an increase of 546 per cent. Thus, the ratio of non-military goods to total imports increased from 62 per cent to 82 per cent during this period. It was suggested that this exceptional rise in non-military imports was a deliberate policy intended to cushion the impact of the war on living standards by making consumer goods available in large quantities. Iraq was pursuing a policy of guns and of butter at the same time.⁶ But such a

⁶ For an analysis of Iraq's spending policies during the early phase of the war, see John Townsend, 'Economic and political implications of the war: the economic consequences for the participants', in M S El Azhary (ed), *Iran-Iraq War: An Historical, Economic and Political Analysis*, New York: St Martin's Press, 1984, pp 51-65.

policy could not be maintained for long and it had to be revised in 1981 under the impact of the war.

The economic effects of the war

The Gulf War is not different from other wars in terms of its cost to the combatants. In addition to the human cost there are also economic costs in the form of the destruction of assets and infrastructure, domestic inflation, inflated prices of imports, lost output due to the mobilisation of the labour force away from the civilian sector in favour of the military economy, lost oil revenue and the general economic deterioration associated with the war. In the following paragraphs the focus will be on the economic losses which were sustained by both countries in the early phases. This will be followed by an analysis of the effects of the war on each country separately.

Oil: the first economic casualty

One of the early and most visible economic casualties of the war was the mutual destruction by Iran and Iraq of the most important and the most necessary sector of each other's economies—the oil sector. Within days of the outbreak of the war both countries succeeded in putting each other's oil-exporting capabilities out of operation including loading facilities, pumping stations, refineries, terminals and pipelines. The extent of the damage is reflected in the fact that both countries were reduced to a small fraction of their pre-war output. In the case of Iraq, its output declined from 3.4 million barrels per day (b/d) in August to a mere 140,000 b/d in October. Iran's output declined from 1.3 million b/d to 450,000 b/d during the same period.⁷

▶ The loss of oil exporting capacity in both countries was by far the most devastating economic blow of the war. This is so because oil had become since 1973, and more so after the 1979–80 price increases, the most important sector of the economy in terms of its contribution to GNP and as the main source of foreign exchange. In Iraq oil revenues had peaked in 1980 to \$26.1 billion and constituted 66 per cent of GNP. In the case of Iran oil revenues peaked in 1979 at \$20.5 billion or 29 per cent of GNP but declined in 1980 to \$13.5 billion or 18 per cent of GNP. And in both

7 For a detailed account of the impact of the war on the operations of the oil sector in both countries, see Thomas R Stauffer, 'Economic warfare in the Gulf', *American-Arab Affairs* (14) Fall 1985, pp 98–116.

countries oil sales were almost the sole source of foreign exchange earnings. Therefore, the war-caused reduction in oil revenue had a significant impact on the entire economy. Thus in 1981 Iraq's oil revenue which was cut to \$10.4 billion or by 60 per cent caused a decline of 24 per cent in GNP, from \$39.7 billion to \$30.1 billion. In Iraq, however, since the war-related loss in oil revenue was only \$4.2 billion or 31 per cent of the 1980 level and since the contribution of the oil sector to the Iranian economy is much smaller than that of Iraq, the impact of the loss in revenue on the GNP was much less severe (Table 1).

In addition to the immediate loss of oil income there were other economic costs which were incurred by the two countries because of the war. One such loss was the forced re-routing of imports to alternative and more costly routes. Iraq for instance, due to the closure of its ports had to find new overland routes through Kuwait, Jordan and Turkey. Similarly Iran found it necessary to divert some of its trade from its ports on the Gulf to routes going through the Soviet Union and Turkey. Such re-routing had the effect of raising the delivered prices of foreign goods due to higher transportation costs.

Moreover, the diversion of resources to meet the needs of the war

Table 1: Iran and Iraq: Gross National Product and oil revenues, 1977-84
(\$ billion)

Year	IRAN			IRAQ		
	GNP	Oil Revenue	Ratio Per cent	GNP	Oil Revenue	Ratio Per cent
1977	79.4	21.2	26.7	18.4	9.6	52.2
1978	76.1	19.3	25.4	22.7	10.2	44.9
1979	70.8	20.5	29.0	35.8	21.3	59.5
1980	74.5	13.5	17.9	40.2	26.1	64.9
1981	77.5	9.3	12.0	30.4	10.4	34.2
1982	85.4	15.9	18.6	31.1	9.7	31.1
1983	99.8	18.7	18.7	32.2	8.4	26.1
1984	115.0	16.7	14.5	34.3	10.4	30.3

Sources: For the years 1977-83, oil revenue data from *OPEC Annual Statistical Bulletin*, Vienna; 1984 oil revenue from *Petroleum Economist*, July 1985; GNP data 1977-84 from OPEC, *Annual Statistical Bulletin*, Arab Monetary Fund, *Arab States' National Accounts, 1972-83* (Arabic) Abu Dhabi, 1984 and International Monetary Fund, *International Financial Statistics Yearbook, 1985*, Washington DC 1985 and OPEC Fund for International Development, *OPEC Aid and OPEC Institutions—A Profile*, Vienna, 1985. Minor adjustments were made to reconcile data from different sources.

forced both countries to increase their dependence on foreign suppliers. Another effect of the war was the rapid decline in foreign reserves which forced the two countries (especially Iraq) to resort to foreign borrowing.

The war and the Iraqi economy

When the war broke out Iraq found itself, as was indicated earlier, in the enviable position of being able to increase defence spending and development spending as well as expand its imports of non-military goods. Iraq, unlike Iran, suffered neither from domestic political dissension nor from diplomatic isolation or economic sanctions. Iraq's considerable foreign reserves on the eve of the war coupled with the generous flow of financial support from other Arab countries, particularly Saudi Arabia and Kuwait, made it possible for the government to pursue the policy of 'guns and butter' alluded to earlier. The significance of such a policy may be appreciated when it is realised that the value of Iraq's contracts with foreign enterprises for non-military projects increased between 1980 and 1981 by 64 per cent, from \$14.8 billion to \$24.3 billion.⁸

Similarly, non-military imports were increased sharply during the first two years of the war, from \$11.9 billion in 1980 to \$16.8 billion in 1981 despite the \$15.7 billion loss in oil revenue which Iraq had to sustain between 1980 and 1981.

Although Iraq had financial resources and cohesive political leadership it did not have sole control over the direction of the war or the economy. And, as the war continued, the economy could no longer be insulated from the erosive effects of inflation nor could it escape the effects of the rise in import prices or the depletion of its foreign reserves or the withdrawal of foreign labour from major industrial sites. These effects were aggravated by the continued mobilisation of major segments of the labour force as the size of the armed forces increased from 140,000 persons in 1978 to 450,000 persons in 1982. The implications of the increase in the size of the armed forces deserves some elaboration. In 1978 the size of the labour force in Iraq was 2.97 million or 24 per cent of the total population of 12.41 million. Applying the same percentage to the 1982 population of 14.11 million, we get a labour force of 3.39 million. This means that the proportion of the labour force enlisted in the army increased from 4.7 per cent in 1978 to

⁸ Townsend *op. cit.*, p 62.

13.3 per cent in 1982. While the domestic labour force increased by 13 per cent between 1978 and 1982, the size of the armed forces rose by 221 per cent. It should be added that as these forces increase in size so does the number of civilian workers who are employed to provide the necessary support, management and maintenance services to the armed forces. In short, the drain of standing armies on the productive capacity of the economy goes far beyond the mere size of such forces. The loss of a major segment of the domestic labour force to the military economy was more than offset by the rise in the number of women in the labour force and more importantly by importing workers from abroad, mainly Egypt. Thus, between 1978 and 1982 the size of the labour force increased by 2.7 million (from 2.97 million to 5.67 million) while the population of Iraq increased by only 1.7 million during the same period.⁹ Another effect of the war on the economy was the decline in agricultural output. Given the increase in the size of the armed forces and since agriculture employs about two-fifths of the labour force it was inevitable that most of the additional recruits would be drawn from this particular sector. The effect of the war on agriculture can be seen in the decline of wheat output from an annual average of 1.8 million tons in the period 1974–6 to 965,000 tons in 1982 and to only 300,000 in 1984. Comparable data for rice were 98,000 tons, 163,000 tons and 95,000 respectively.¹⁰ But the ability of Iraq to maintain high levels of military and civilian spending could not be supported for too long. Hence, adjustments in economic priorities and spending patterns had to be made.

The year 1982 was a major turning-point, as the war front moved to Iraqi soil. 1982 will also be remembered as the year when in April Syria decided to close Iraq's oil pipelines going through its territories, causing Iraq to lose an export outlet of 400,000 b/d valued at \$5 billion per year.¹¹ As a result of Syria's act, Iraq was reduced to only one export outlet going through Turkey with a capacity of three-quarters of a million b/d, or about one-fourth of its export capacity just before the war. These changes forced Iraq to acknowledge that economic retrenchment was necessary and that no new projects could be undertaken in 1982 until projects under way were completed. However, the government felt

⁹ See Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers*, 1985, Washington DC, 1985, p 67, for the size of armed forces. For data on labour force, see Arab Monetary Fund, *Unified Arab Economic Report*, 1983 (no date) p 209 (in Arabic).

¹⁰ Food and Agriculture Organisation, *1984 FAO Production Yearbook*, Rome, 1985, pp 108–14.

¹¹ *Middle East Economic Survey* (MEES) 19 April 1982, p 2.

that it was necessary to continue transportation and construction projects provided that they served the war effort, plus certain projects in urban centres, particularly Baghdad. But as the war continued Iraq found itself once again reducing all non-defence related development spending. Investment in agriculture and industry were reduced drastically and import programmes were subjected to closer scrutiny to ensure that foreign reserves which had declined from \$30 billion at the start of the war to \$10 billion by the end of 1982 would be used judiciously and only when necessary. Furthermore, in 1983 Iraq decided to adopt new and more stringent economic measures. One of the more significant changes in policy was the decision by the government to rely more heavily on the private sector to promote industrial and agricultural output by providing incentives and credits. In order to shore up its sagging foreign exchange position, Iraq found it necessary to enter the international financial market in order to borrow. It also became necessary to reschedule some of its debts to foreign contractors, to use oil for imports trade arrangements, to devalue the dinar against the dollar and to increase its borrowing from the Gulf states which by the end of 1982 had reached \$35 billion.¹² Iraq also decided to curtail its foreign aid to other Third World countries, to restrict foreign travel, and to cut down on imports by limiting them to essential consumer goods only. One measure of Iraq's difficult financial position is reflected in the sharp change in its share in the combined value of projects contracted by members of the Organisation of Arab Oil Exporting Countries (OAPEC). According to data compiled by OAPEC, Iraq accounted for 17 per cent of all such contracts in 1979. This ratio jumped to 30 per cent in 1980 and rose again in 1981 to 31 per cent, only to plummet to 9 per cent in 1982 and 2 per cent in 1983.¹³

By 1983 Iraq was compelled to reduce imports to \$11.7 billion from \$20.5 billion in 1981 or by 43 per cent (Table 2). The drastic reduction in total imports also reflected the new imperatives of the war as Iraq saw them. While total imports declined by 43 per cent, military imports increased by 38 per cent, from \$3.7 billion to \$5.1 billion. On the other hand, non-military imports were reduced from \$16.8 billion to \$6.6 billion or by 61 per cent between 1981 and 1983. This re-orientation of Iraq's imports programme resulted in a reduction of the share of

¹² *QER-Iran* (2) 1983, p. 7. See also *MEES* 14 March, 4 April, 23 May, and 11 July 1983.

¹³ For an outline of these measures, see Basil al-Bustany, 'Development strategy: Iraq and the war effort: dynamics of challenge', in El Azhary, *op. cit.*, pp. 66-80. See also OAPEC, *Secretary-General's Annual Report*, Kuwait.

Table 2: Iran and Iraq: exports, imports and trade balance, 1977-84
(\$ billion)

Year	IRAN			IRAQ		
	Exports	Imports	Balance	Exports	Imports	Balance
1977	21.7	14.6	7.1	10.4	4.5	6.0
1978	22.4	19.5	2.9	12.0	4.2	7.8
1979	19.2	8.8	10.4	20.3	9.9	10.4
1980	15.3	12.8	2.5	28.5	13.8	14.7
1981	10.7	12.9	- 2.2	11.6	20.5	- 8.9
1982	17.2	11.2	6.0	10.6	21.6	-11.0
1983	19.5	18.2	1.3	8.9	11.7	- 2.8
1984	15.1	15.3	- .2	9.7	9.8	- .1

Source: International Monetary Fund, *Direction of Trade Statistics Yearbook*, Washington DC, 1985.

non-military imports from 82 per cent of all imports in 1981 to 56 per cent two years later.

The war and the Iranian economy

In addition to the loss of oil output and revenue, the war inflicted heavy damage on Iran's pipelines, refineries, infrastructure, industrial sites, factories and cities. Particularly severe was the destruction inflicted upon some of Iran's more populous cities such as Ahwaz, Abadan, Dezful and Khorramshahr. The bombing of these cities in the early phases of the war forced an estimated 2 million people to be relocated in other parts of the country. This internal refugee problem intensified the difficulties for an economy that was attempting to cope not only with the impact of the war but also with some of the dislocational problems of the Revolution.

The Iranian economy, however, proved to be more resilient than was expected. One of the most important reasons for this was Iran's ability to increase its oil output and exports and thus increase its oil revenue and foreign exchange earnings in a very short period of time. Thus the decline in oil revenue from \$13.5 billion in 1980 to \$9.3 billion in 1981 was reversed, with a sharp increase to \$15.9 billion in 1982 and \$18.7 billion in 1983. By contrast Iraq's oil revenue, which declined from \$26.1 billion in 1980 to \$10.4 billion in 1981, fell again in 1982 to \$9.7 billion and to \$8.4 billion in 1983. Another explanation for the resilience of the Iranian economy may be found in earlier policy decisions to reduce dependency on the oil sector and also to reduce imports in

Table 3: Iran and Iraq: military and non-military imports, 1977–83
(\$ billion)

Year	IRAN			IRAQ		
	Total Imports	Military Imports	Ratio Per cent	Total Imports	Military Imports	Ratio Per cent
1977	14.6	2.5	17.1	4.5	1.5	33.3
1978	19.5	2.2	11.3	4.2	1.6	38.1
1979	8.8	1.6	18.2	9.9	2.3	23.2
1980	12.8	.4	3.1	13.8	1.9	13.8
1981	12.9	1.0	7.8	20.5	3.7	18.0
1982	11.2	1.5	13.4	21.6	4.3	19.9
1983	18.2	.8	4.4	11.7	5.1	43.6

Source: For total imports, see Table 2; for military imports, see US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1985*, Washington DC, 1985, pp 108–9.

general and non-essential consumer goods in particular. This policy was supplemented by another policy which aimed at stimulating domestic agricultural and industrial output. In the case of agriculture, output of main cereals—wheat, rice and barley—turned out to be higher in 1982, 1983, and 1984 than during the period 1974–6.¹⁴ Industrial output in 1982 had recovered remarkably well to show a real growth rate of 11.6 per cent over the previous year.¹⁵ One of the most interesting changes in the Iranian economy, in contrast to that of Iraq's, was the ability of Iran steadily to increase the level of imports. Thus, total imports which amounted to \$19.8 billion in 1978 declined to \$8.8 billion in 1979, with military imports accounting for 18 per cent of the total. By 1983, total imports had climbed to \$18.2 billion with military imports accounting for only 4.4 per cent of the total. By contrast, Iraq's imports, which reached their peak of \$21.6 billion in 1982 with the military component absorbing 20 per cent of the total, declined sharply by 1983 to \$11.7 billion but with military imports accounting for 44 per cent of the total (Table 3). Iran's ability to increase revenue from oil exports soon after the war was initiated, proved to be a decisive factor not only in enabling it to expand imports but also in preventing a deteriorating economy from disintegrating. The Iranian economy also succeeded in resuming its upward growth trend at remarkable rates once the initial shocks of

¹⁴ FAO, *op. cit.*

¹⁵ QER-Iran, *Annual Supplement, 1985*, p 6.

the Revolution, the hostage crisis and the war were absorbed and it so without financial help from other countries and without und increasing its foreign debt.

How much did the war cost?

No estimate of the cost can hope to be accurate. Certain elements the cost are known while other elements will have to be estimated. There will also be the tremendous cost burden in the post-war period the two countries attempt to repair and reconstruct their economies a pay for the debts and obligations which they have incurred in the cou of the war. For the period up to the end of 1985 certain estimates will made to arrive at cost magnitudes. Before making these estimat however, it may be useful to make a few general observations regardi the defence burdens of Iraq and Iran.

Defence burdens: some measurements

Both Iraq and Iran have traditionally devoted relatively high portion: their national income to military spending. Between 1968 and 19 Iraq, for example, allocated between 21 per cent and 27 per cent of GNP to military expenditures. Iran's military expenditures during same period absorbed between 13 per cent and 15 per cent of its GNP. The relative burden of military spending would be larger if it is relatec

Table 4: Iran: relationship between military expenditures and GNP, 1977-83 (\$ billion)

Year	Military Expenditures	GNP	GNP minus Oil Revenue	Ratio of Military Expenditure	
				To GNP	To GNP minus oil Revenue
1977	9.9	79.4	58.2	12.5	17.0
1978	12.1	76.1	56.8	15.9	21.3
1979	6.0	70.8	50.3	8.5	11.9
1980	6.7	74.5	61.0	9.0	11.0
1981	7.4	77.5	68.2	9.5	10.9
1982	8.5	85.4	69.5	10.0	12.2
1983	5.5	99.8	81.1	5.5	6.8

Sources: For GNP and oil revenue data, see Table 1. Military expenditures from *World Military Expenditures*, pp 66-7.

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**Table 5: Iraq: relationship between military expenditures and GNP,
1977-83
(\$ billion)**

Year	Military Expenditures	GNP	GNP minus Oil Revenue	Ratio of Military Expenditures	
				To GNP	To GNP minus oil Revenue
1977	3.6	18.4	8.8	19.6	40.9
1978	4.0	22.7	12.5	17.6	32.0
1979	5.1	35.8	14.5	14.2	35.2
1980	8.6	40.2	14.1	21.4	60.1
1981	11.8	30.4	20.0	38.8	59.0
1982	12.5	31.1	21.4	40.2	58.4
1983	11.9	32.2	23.8	40.0	50.0

Source: For GNP and oil revenue data, see Table 1. Military expenditures from *World Military Expenditures*, pp 66-7.

national income generated outside the oil sector. Thus in the case of Iraq, such spending absorbed between 26 per cent and 33 per cent of non-oil GNP while its share in Iran ranged between 14 per cent and 17 per cent of non-oil GNP during the same period. The high ratio of military spending to national income becomes even more striking when it is realised that for the Middle East as a whole military expenditures during this period accounted for between 8 per cent and 9 per cent of the region's total GNP and that the average burden of military expenditures for all developing countries did not exceed 6.4 per cent of their GNP.¹⁶

The sharp rise in oil revenue after 1973 made it possible for oil producing countries to increase their public sector expenditures including, of course, military spending. In the case of Iran such expenditures increased from \$3.1 billion or 11.7 per cent of GNP in 1973 to \$12.1 billion or 15.9 per cent of GNP in 1978, the last year of the Shah's regime. By the end of 1979 the newly established Islamic Republic succeeded in reducing military expenditures by one-half, to \$6 billion, or 8.5 per cent of GNP. However, although the outbreak of the war with Iraq made it necessary to increase the defence budget, such spending never reached its pre-1979 levels. Thus, by 1982 military

¹⁶ For data on military expenditures for the years before 1973 see US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1967-76* Washington DC, 1978, pp 47-8.

expenditures peaked at \$8.5 billion, or 10 per cent of GNP only to decline to \$5.5 billion in 1983 or 5.5 per cent of GNP.

In the case of Iraq, military expenditures continued their upward trend with no interruption. From \$800 million in 1972 Iraq's military spending increased to over \$5 billion in 1979 and again to close to \$12.5 billion in 1983. Relative to its GNP, Iraq's military expenditures accounted between a low of 14.2 per cent in 1979 and a high of 40.6 per cent in 1982. But if military spending is measured against non-oil sector national income, its burden is much heavier. In Iran, according to this measurement, military spending absorbed between 6.9 per cent in 1983 and 26.2 per cent in 1975. In Iraq, however, the ratio of military expenditures to non-oil sector national income ranged between 25.8 per cent in 1972 and 63.3 per cent in 1980. (Table 5)

Another indicator of the defence burden is the relative importance of the arms imports component in total imports. In the case of Iran, arms imports tended to constitute a much higher ratio of total imports in the years preceding 1980 when the war broke out. Thus, for the period 1974 to 1979 the ratio of such imports to total imports ranged between 11.3 per cent and 18.5 per cent. After the establishment of the Islamic Republic arms imports constituted 3.1 per cent of total imports in 1980, 7.8 per cent in 1981, 13.4 per cent in 1982 and 4.4 per cent in 1983. In the case of Iraq, arms imports constituted between 16.6 per cent and 38.1 per cent of total imports for the period 1974-9. But since the war broke out Iraq's arms imports have represented 13.8 per cent of total imports in 1980, 18 per cent in 1981, 19.9 per cent in 1982 and 43.6 per cent in 1983.

Yet a third indicator of the defence burden is the size of armed forces relative to population. Data published by the US Arms Control and Disarmament Agency show that in 1978 both Iraq and Iran had 11 persons in their armed forces per 100 people. By 1983 the ratio for Iraq had increased to 34.5 persons while in Iran it remained the same. It should be noted, however, that these figures tend to underestimate the defence burden to the economy of this particular indicator since the term armed forces may not include all the parliamentary forces which are engaged in the war effort.

The cost elements of the war

It is estimated here that Iraq has spent about \$94 billion on the war between 1980 and 1985. This figure was arrived at by multiplying the value of arms imports by a factor of 4 which in turn was arrived at by

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Table 6: Iran and Iraq: ratio of military expenditures to oil revenue, 1977-83 (\$ billion)

Year	IRAN			IRAQ		
	Military Expenditures	Oil Revenue	Ratio Per cent	Military Expenditures	Oil Revenue	Ratio Per cent
1977	9.9	21.2	46.7	3.6	9.6	37.5
1978	12.1	19.3	62.7	4.0	10.2	39.2
1979	6.0	20.5	29.3	5.1	21.3	23.9
1980	6.7	13.5	49.6	8.6	26.1	33.0
1981	7.4	9.3	79.6	11.8	10.4	113.5
1982	8.5	15.9	53.5	12.5	9.7	129.0
1983	5.5	18.7	29.4	11.9	8.4	141.6

Source: See Tables 1 and 4.

relating total military expenditures in the Middle East for the period 1973 to 1983 (which amounted to \$430 billion) to the total value of arms imports into the region (approximately \$100 billion). The annual cost of the war to Iraq is then estimated to be \$15.7 billion. This figure does not include the value of fixed assets destroyed during the war, nor does it include lost oil revenue or lost output. The figure of \$15.7 billion is somewhat higher than the *Quarterly Economic Review* estimate of \$14 billion per year.¹⁷

Review

As to the cost of the war to Iran, the Iranian government itself maintains that the total cost of the war both direct and indirect amounted to \$150 billion up to June 1982 and \$200 billion up to the end of 1984, not counting lost oil revenue.¹⁸ This means that since 1982 the annual cost of the war was in the vicinity of \$20 billion. Adding the \$20 billion cost for 1985 to the \$200 billion, we arrive at a total cost of \$220 billion.

The next step in the calculation is to estimate the value of oil revenue lost due to the war. By applying the rate of change in the oil revenue of all OPEC member countries to Iraq and Iran we arrive at what might be called implicit oil revenue. And by comparing these figures with actual revenue we arrive at an estimate of lost revenue. According to this

¹⁷ *QER-Iran* (2) 1983, p 10.

¹⁸ *QER-Iran* (2) 1984, p 12.

Table 7: Iraq and Iran: actual and implicit oil revenue 1978-84
(\$ billion)

Year	OPEC	% Change from previous Year	IRAQ		IRAN	
	Oil Revenue \$ billion		Actual Revenue	Implicit Revenue	Actual Revenue	Implicit Revenue
1979	192.6	68.5	21.3	-	20.5	-
1980	275.0	42.8	26.1	30.4	13.5	29.3
1981	247.7	- 9.9	10.4	27.4	9.3	26.4
1982	193.0	- 18.2	9.7	22.5	15.9	21.6
1983	153.9	- 20.3	8.4	17.9	18.7	16.2
1984	159.4	+ 3.6	10.4	18.5	16.7	16.8
1985	159.4	0	<u>10.4</u>	<u>18.5</u>	<u>16.7</u>	<u>16.8</u>
Total (1981-5)			49.3	104.8	77.3	97.8

Sources: Computed from OPEC, *Annual Statistical Bulletin* (Vienna) for oil revenue for the years 1979- 83 and *Petroleum Economist*, July 1985 for the 1984 oil revenue.

Note: Implicit revenue for 1980 was calculated by multiplying the actual revenue in 1979 by the rate of change in OPEC revenue in 1980 or by 42.8 per cent. The 1981 implicit revenue was arrived by multiplying the 1980 implicit revenue by 9.9 per cent, and so on. The 1985 revenue for OPEC was assumed to be the same as 1984.

method, Iraq lost \$55.5 billion while Iran lost \$20.5 billion, or a combined loss of \$76 billion for the period 1980-4. (Table 7)

In addition to these elements one should also add to the cost of the war that part of the national output which would have been produced if the two countries were not at war. In the case of Iraq such loss of output is arrived at by calculating Iraq's potential output and subtracting from it the actual output. To arrive at the potential national output of Iraq the year 1980 was used as the base year. The potential output, or the GNP of Iraq for the years 1981-5 was assumed to have grown at an annual rate of 6.5 per cent in the absence of the war. The selection of the 6.5 per cent growth rate was determined by the fact that the combined GNP of all OPEC member countries grew at an annual average rate of 6.5 per cent during the period 1979-83. Thus, by applying the same growth rate to Iraq's GNP for the period 1981-5 we arrive at potential GNP of \$284.2 billion for the five-year period under consideration. This potential GNP exceeds Iraq's actual GNP for the same period by \$81.7 billion. But, in order to avoid double counting one should subtract from the \$81.7 billion lost GNP the \$55.5 billion lost oil revenue. By doing this we arrive at a figure of \$26.2 billion which is considered to be the war-caused lost output above and beyond lost oil revenue. (Table 8)

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Table 8: Iraq gross national product, 1980-5
(\$ billion)

Year	Actual	Potential
1980	40.2	40.2
1981	30.4	42.8
1982	31.1	45.6
1983	32.2	48.6
1984	34.3	51.8
1985	<u>34.3</u>	<u>55.2</u>
Total (1981-5)	202.5	284.2

Sources: See Table 1

Notes: Potential GNP was computed by applying to actual GNP the annual rate of growth of GNP of all OPEC countries as reported in *World Military Expenditures*, p 67

Similar calculations for Iran are not necessary since such GNP loss has already been included by the Iranian government in its own estimate of the cost of the war to the Iranian economy up to the end of 1984. For the year 1985 it is postulated that the actual rate of growth was of such high magnitude as not to warrant a computation of potential GNP. (Table 1)

The following is a summary of the main cost elements of the war:

<i>Iran</i>	<i>\$ billion</i>
Cost of the war up to the end of 1985	220.0
Estimated lost oil revenue	<u>20.5</u>
Total	240.5

<i>Iraq</i>	
Military expenditures for the years 1980-5	94.0
Estimated lost oil revenue	55.5
Estimated lost GNP, 1981-5	<u>26.2</u>
Total	175.7

Total cost to both countries \$240.5 billion + \$175.7 billion = \$416.2 billion.

To put the cost of the war of \$416 billion in better perspective, it suffices to say that the oil revenue which both Iraq and Iran received throughout this century—from 1919 to 1985 in the case of Iran and from

1931 to 1985 in the case of Iraq—amounted to \$364 billion. That is, the cost of the war already exceeded by \$52 billion the entire revenue from oil ever since these two countries started to sell their oil on the world market. Relating the cost of the war to their GNP, it was found that the average annual cost of the war absorbed 54 per cent of Iran's GNP during the period 1981–5 and 96 per cent of Iraq's GNP during the same period.

It may be relevant to note that the cost of the war in Vietnam during the period 1965–74 amounted to \$356 billion including \$185 billion of lost output and that the annual economic burden of that war ranged between 2 per cent and 3 per cent of the American GNP.¹⁹

The war and Saudi Arabia's oil policy

No assessment of the economic consequences of the Iraq–Iran war can or should ignore the important role which the government of Saudi Arabia played to influence the course of the conflict. In addition to its economic and non-economic support to Iraq, Saudi Arabia employed its considerable oil power in the region and within OPEC to derive maximum benefits, both political and economic, for itself. This section will attempt to deal with Saudi oil policy since the war erupted.

To start with it can be said that the new regime posed a threat to the Saudi government. The threat arose from the regime's religious/political ideology which had the potential of disturbing the equilibrium of the region's established political and economic order. Thus, it became apparent to the Saudis that whatever reservations they might have towards the US-sponsored Camp David Accords would have to be subordinated to their common opposition to the new regime in Iran. This meant that the regional focus of Saudi policy attention had to be shifted from the Arab–Israeli conflict to finding ways and means of dealing with and containing the new realities in Iran.

The Saudi attempt to contain and weaken the new regime in Iran took two forms. First, there was the ever-present 'oil weapon'. Second, the Saudis attempted to rally the other countries of the Gulf behind their leadership against Iranian-inspired or Iranian-style political changes.

As to oil, the Saudis decided to raise their output in 1978 as soon as the Iranian output began to decline as a consequence of oil workers'

¹⁹ See Robert W Stevens, *Vain Hopes, Grim Realities: The Economic Consequences of the Vietnam War*, New York, New Viewpoints, 1976, pp 186–7.

strikes in support of the revolution. Saudi output which was 7.1 million b/d in September 1978 was raised to 10.4 million b/d by December of that year (a jump of 46 per cent), presumably to make up for the loss of Iranian oil to the world market. But the world of oil, it should be stressed, was already suffering from an oil glut. Although Iranian oil was reintroduced to the world market, the Saudis continued their high output of oil well above their traditional level of 8.5 million b/d. The Saudi decision to keep output at a higher than normal level caused oil output in the entire OPEC region in 1979 to rise to 30.8 million b/d from 29.9 million b/d in 1978 despite a decline of 2 million b/d in Iran's output. It is worth noting that the Saudis did reduce their oil output in 1979 below 9 million b/d for three months only—April, May and June. This reduction, it was speculated, was meant to be a protest signal against the US-sponsored Egyptian-Israeli peace treaty, but this pressure signal was both unsuccessful and short-lived. Indeed, the Saudis responded to US pressure by increasing their output back to the 9.5 million b/d level, which they did in July of that year.²⁰

Having decided to continue producing at a high level, the Saudis started to charge lower prices than those charged by their competitors in order to sell their oil. The Saudi policy of higher output in the face of a soft market in 1980 succeeded in causing Iranian output to plummet from 4 million b/d in September 1979 to 1.3 million b/d in August 1980. Since oil is Iran's main export and the main source of its foreign exchange earnings, it was clear that such a reduction was intended to cripple the Iranian economy and with it the Iranian regime. The magnitude of the drastic decline in Iranian exports may be appreciated when it is realised that prior to the Revolution Iran was producing about 5 million b/d of oil and exporting about 5 million b/d. By August 1980 Iran's output (1.3 million b/d) was reduced to one-fourth and its exports to one-seventh of their past levels. The other side of the Iranian loss was the increase in Saudi sales. This rise in Saudi output, it should be reiterated, took place in the face of a soft market and a decline in the output of every other oil producing country. In the Middle East non-Saudi oil output between 1978 and 1980 declined by 13 per cent (from 20.5 million b/d to 17.9 million b/d) while that of Saudi Arabia increased by 20 per cent (from 8.3 million b/d to 9.9 million b/d). It should be noted that the rise in Saudi output and exports took place at

²⁰ William B Quandt, *Saudi Arabia in the 1980s: Foreign Policy, Security, and Oil* (Washington DC: The Brookings Institution, 1981), p 131.

Table 9: Six Middle East oil producing countries: oil output, 1977–
(million barrels per day)

Year	1977	1978	1979	1980	1981	1982	1983
Country							
Saudi Arabia	9.2	8.3	9.5	9.9	9.8	6.4	5.1
Iran	5.7	5.2	3.1	1.5	1.3	2.0	2.4
Iraq	2.3	2.6	3.5	2.6	.9	.9	1.0
Kuwait	2.0	2.1	2.5	1.7	1.1	.8	1.1
UAE	2.0	1.8	1.8	1.7	1.5	1.2	1.1
Qatar	.4	.5	.5	.5	.4	.3	.3
Total	21.4	20.5	20.9	17.9	15.1	11.7	11.0

Source: OPEC, *Annual Statistical Bulletin* (Vienna) and *Petroleum Intelligence Weekly*, 18 February 1985.

the height of the American hostage crisis, which began in November 1979. Given the common interests of Saudi Arabia and the US, the Saudis in bringing about the drastic reduction in Iran's oil export cannot have been unrelated to the hostage crisis.

When the Gulf war broke out it provided the Saudis with an opportunity to continue to expand their share of the oil market-time at the expense of Iraq as well as Iran. Within a few days of the start of the Gulf war about 4 million b/d of Iraqi and Iranian oil were taken off the world market. This gave the Saudis the opportunity to continue their policy of overproduction. This was done against all the available evidence that market conditions were soft and that the industrial countries were already in command of considerable oil stockpiles.

Saudi Arabia's policies in the aftermath of the Iranian Revolution and the Gulf War were inconsistent and contradictory. On the one hand, the Saudis wanted to weaken Iran's economy and its political system. To do this they had to resort to the only instrument of economic pressure at their disposal, oil. The Saudis used this instrument by reducing their output and selling their oil at lower prices. The loss of market shares to the Iranians at a time of economic and political entanglement with the US and other industrial countries was a serious, but not a fatal blow to the Iranian economy. But the contradiction in the Saudi policy was that its long-term consequences were damaging to the economic interests of all oil producing countries including Saudi Arabia as such a policy could not be discriminatory against the Iranians alone. Oil output and revenue data for the Middle East OPEC oil producing countries indicate how the Saudis exploited the difficulties of Iran first, and

ECONOMIC CONSEQUENCES OF THE IRAQ-IRAN WAR

Table 10: Six Middle East oil producing countries: oil revenue, 1977-84 (\$ billion)

Year	1977	1978	1979	1980	1981	1982	1983	1984
Country								
Saudi Arabia	36.5	32.2	57.5	102.2	113.2	76.0	47.6	43.7
Iran	21.2	19.3	20.5	13.5	9.3	15.9	18.7	16.7
Iraq	9.6	10.2	21.3	26.1	10.4	9.7	8.4	10.4
Kuwait	7.5	7.7	16.8	17.9	13.8	7.5	8.7	10.8
UAE	9.0	8.2	12.9	19.5	18.7	15.5	11.7	13.0
Qatar	<u>2.0</u>	<u>2.2</u>	<u>3.5</u>	<u>4.9</u>	<u>4.6</u>	<u>3.9</u>	<u>2.4</u>	<u>4.4</u>
Total	85.8	79.8	132.5	184.1	170.0	128.5	97.5	99.0

Source: OPEC, *Annual Statistical Bulletin* (Vienna), *Petroleum Economist*, July 1985

Iraq-Iran war later, to reap a great deal of economic benefits and power. While in 1978 Saudi Arabia produced 40 per cent of the oil produced in the Middle East and received 40 per cent of the oil revenue by 1981, the first full year of the Gulf War, the respective shares were 62 per cent for output and 66 per cent for revenue (Table 9). But the improvement in the position of Saudi Arabia is even more impressive if we were to focus attention only on Iraq, Iran and Saudi Arabia. In 1978 Saudi Arabia received 52 per cent of the combined oil revenue of the three countries with the remaining 48 per cent going to Iran and Iraq (31 per cent to Iran and 17 per cent to Iraq). By 1979 Saudi Arabia managed to raise its share to 58 per cent and to 72 per cent by 1980. In 1981 Saudi Arabia's share reached a staggering 85 per cent of the combined oil revenue of the three countries only to decline to 75 per cent in 1982, 64 per cent in 1983 and 62 per cent in 1984 (Table 10).

Although he did not mention Saudi Arabia by name, the thrust of the critical remarks made by Iraq's President, Saddam Hussain, regarding Saudi Arabia's policy of overproduction was very clear when he said: We direct our friendly but also serious criticism toward some Arab brothers whose production and marketing policies have led to the creation of a glut in the oil market. We cannot possibly find convincing arguments in favour of this policy and its goals. Its harmful effects upon the Arab oil producing states and others is very clear. If some oil producing states have financial surpluses, we do not all possess such an accumulation of wealth. We also do not see any wisdom in production that leads to a glut in the oil market.²¹

²¹ MEES, 27 July 1981, pp 1-2.

While the Iraqi President was appealing to the Saudis to reconsider their high output policy, the Iraqi Minister of Oil, Mr Tayeh Abdul-Karim, who was also a member of Iraq's Revolutionary Command Council, accused the government of Saudi Arabia of creating the oil glut in order to prolong the Gulf War:

That country's policy of continuing its high output beyond its needs is suicidal and cannot be explained in any terms other than the desire to harm others were it not for the oil glut, which may have been inspired and planned to prolong the Gulf War and wear down Iraq, the Gulf War would now be over ²²

Iraq was not the only country claiming that Saudi oil policy was dangerous to the economies of other countries. The Libyan leader, Colonel Muammar Qaddafi, decried the Saudi policy as having 'harmed the people of Algeria, Kuwait, the Gulf and Nigeria.'²³

It is important to note that these protestations from Arab countries came in the wake of Sheikh Ahmed Zaki Yamani's celebrated 19 April 1981 interview on the National Broadcasting Corporation's 'meet the Press' in the United States. In that broadcast Sheikh Yamani boasted that it was the Saudis who had engineered the oil glut when he said:

Q: As a result of conservation, a stagnant economy and other factors, there is now an oil glut on the international market. Some nations and some American companies have been lowering prices. Would your country have any plans to lower production or to lower prices?

A: Well, as a matter of fact, this glut was anticipated by Saudi Arabia and almost done by Saudi Arabia. If we were to reduce our production to the level it was at before we started raising it, there would be no glut at all. We engineered the glut and want to see it in order to stabilise the price of oil.

Sheikh Yamani went on to say that the Saudis could reduce their output to 6 million b/d (or by 40 per cent) and live happily with that.²⁴

Ironically, while Iraq's oil facilities continued to be out of action, the Iranians whose exporting terminals were functioning were able in time to expand their output and export. Iran was able to expand its oil exports through price reduction. By beating the Saudis at their own price game other countries found themselves following the Iranian lead and cutting their prices either openly or through various discount mechanisms. In contrast to these countries, Iraq found itself in more

²² *MEES*, 7 September 1981, p 2.

²³ *Ibid.*

²⁴ *MEES*, 27 April 1981, (Supplement), pp 1-2.

economic difficulties as time went on and the Gulf War continued, especially after Syria's decision to close its pipeline in 1982.

Iran's success in increasing its output and regaining some of the market share it lost to Saudi Arabia created a number of conditions which had a profound impact on the role of these two countries within OPEC and upon OPEC itself. The Saudis, to their detriment, adhered to the position that the glut was not only controllable, since they thought they had created it, but also temporary. As late as April 1982, the then Prince Fahd announced that the oil glut would end in two or three months. This mistaken belief led the Saudis to keep to the official price of oil at a time when Iran and other OPEC member-countries were reducing their prices and recapturing market shares they had lost to the Saudis. The Saudi's continued loss of export markets to other producers prompted them to demand that other countries raise their prices. When such demands were ignored, the Saudis resorted to threats that they would increase output and lower prices in order to impose punitive measures against those countries which were engaged in price cuts. The Saudi threats this time stemmed from a position of weakness in that, with the decline in their output, they were losing control over OPEC and over the oil market. In order to counter the behaviour of Iran and Libya and other producing countries, the Saudis this time took an unusual step by working outside the framework of OPEC. In a meeting of the oil ministers of the six member-countries of the Saudi-led Gulf Cooperation Council (GCC) in October 1982, the ministers attacked other oil producing countries for their 'irresponsible behaviour' and lectured them on how 'to shoulder their responsibilities' and that if they continued in their 'misguided actions,' they would not be protected from the 'consequences of these actions' by GCC member-countries and that the GCC had decided to issue the warning in order to make the 'nonconformists realise that they will have to shoulder the blame tomorrow'.²⁵

It is clear from the text of the statement that the Saudis used the GCC to pressure and threaten other Arab oil producing countries and Iran to fall in line. This meant that the use of the Saudi 'oil weapon' had come full circle. Instead of using it to exert pressure for just Arab causes it was being used now to undermine the economic interests of other Arab countries.

Yet the Saudi-led coalition failed in its attempt to force other

²⁵ For the text of the GCC Oil Ministers' statement, see *MEEs* 18 October 1982, p. 3

countries to raise their prices. Market conditions had changed to the degree that it was simply not feasible to raise prices. The decline in the demand for oil coupled with the effective use of oil stockpiles by industrial countries made it possible for the Iranians and others to assert their position within OPEC. More important, the change in the balance of power within OPEC was manifested also in that the Saudis eventually agreed, for the first time, to an OPEC-wide programme of production allocation. There was a great deal of truth and realism in a statement made by the Iranian Oil Minister, Mr Mohammed Gharazi, when he said:

. . . the political strength of Iran . . . has forced Saudi Arabia to reduce its production from 11 million to 4 million b/d. Saudi Arabia thought that with its level of production it can enforce its wishes on our brothers in OPEC and in the region . . . I announce that my country has fought Saudi Arabia and has caused the failure of its oil production and political aims.²⁶

The acknowledgement by the Saudis of the limit of their oil power came in March 1983. At an unusually lengthy meeting of OPEC in that month the Saudis had to concede that there was an oil glut in the world market, and that the price-setting power had shifted to other oil producing countries; that prices had to be reduced; and that the output of all member-countries had to be regulated.

Economic prospects after the war

The Gulf War, already in its sixth year, has created several structural problems that will require a long time to overcome. As was mentioned earlier, the war resulted in major reduction in oil output, loss of markets and revenues, loss of foreign exchange reserves, destruction of cities, and infrastructure including roads, harbours, transportation and communication systems. The war also crippled the growth of the industrial and agricultural sectors as well as investment and development programmes. It depleted military supplies and caused a rise in the indebtedness of both countries, especially Iraq. The war also distorted the configuration of the various segments of the labour market which resulted in labour shortages and, in the case of Iraq, led to dependence on foreign workers. The war created serious internal refugee problems, especially in the case of Iran, a situation which added to general economic difficulties.

²⁶ *MEES*, 31 January 1983, p D8.

The solutions to these and other economic problems will be more difficult the longer the war persists. But regardless of how long the war lasts, the two countries will have to face the monumental task of repair, reconstruction and development. The task of reconstruction will be complicated by several difficulties and bottlenecks. In the first place and based on historical experience of other countries, the two countries will almost certainly devote considerable economic resources for the purpose of rebuilding and re-equipping their armed forces as well as the replenishing of their depleted stockpiles of arms and munitions.

The task of repair, reconstruction and development will be costly, difficult and long. It will be costly because the replacement cost of new assets will, due to the general rise in prices, be much higher than the cost of the original assets to be replaced. Apart from the monetary cost of replacement there is another form of cost, namely, the time factor. To the extent that major assets such as refineries, factories, airports and the like were produced by foreign enterprises, a long time will be needed for planning and construction. To illustrate this point let us take the case of a refinery or a petrochemical plant which needs to be replaced. In both of these cases the process requires, among other things, that the decision be placed in the national context of an investment plan, that feasibility studies be made, bids be solicited, and contracts awarded and implemented. And since each one of these stages in the process requires foreign labour, raw materials and capital goods, it is not difficult to appreciate the magnitude of the process of reconstruction and development. It will take Iraq and Iran many years to restore their productive capacity to pre-war level.

All of the above, it should be stressed, is predicated on the assumption that financial resources will be available in order to go ahead with the process of reconstruction. Unfortunately, this will not be the case. The main explanation for this is that both Iraq and Iran have become so dependent on their oil sector that the process of reconstruction will hinge on the availability of oil revenue. But herein lies the main problem and bottleneck. If the war were to end soon, both Iraq and Iran would find themselves in a world oil market that has a demand for OPEC oil which is less than one-half its volume when the war started. Currently, OPEC member-countries cannot sell more than 12-13 million b/d compared with almost 27 million b/d in 1980. And in an oil market characterised by severe excess capacity which shows no sign of subsiding, it will be very difficult indeed for either country to expand its output without at the same time taking market shares from

other OPEC member-countries. Indeed both Iraq and Iran have already stated that they must have a higher share in OPEC output than the one they currently have. In the case of Iran the desired target of output is 19 per cent instead of the present 14.4 per cent of OPEC total output or a return to its pre-Revolution share. Similarly, Iraq would like to see its share raised from its current level of 7.5 per cent to its pre-war level of 12 per cent. If OPEC were to accommodate Iraq and Iran then some 10 per cent of current OPEC output would be re-allocated to Iraq and Iran. This would entail major changes in the way quotas are assigned and power is divided within OPEC, an outcome very few member countries would welcome. If, on the other hand, OPEC were to refuse to make the necessary changes, it is not inconceivable that both countries would find themselves raising output and cutting prices in order to recapture their lost shares of the oil market. If they were to follow this strategy it is certain that other producing countries would retaliate by lowering their prices in order to protect their own market shares. Should this be the case it is possible that the OPEC price structure may collapse altogether resulting in ruinous economic consequences for all. It can be argued that most of the adjustment in output should be made by Saudi Arabia for the reasons mentioned earlier and especially because Saudi Arabia was able, because of the Iranian Revolution and the war, to accumulate considerable amounts of reserves. Such expectations are not realistic in light of the established market behaviour of the Saudis, their needs, and their current policies of raising their output and allowing prices to fall below OPEC official prices.²⁷ But even if the Saudis and other members of OPEC were to make certain adjustments this would not be sufficient given the tremendous financial needs of Iraq and Iran. These two countries will almost certainly have to borrow heavily if the process of rearmament, repair and reconstruction and development are to go ahead. But there are at least two constraints on this option. First, the international capital market may not be willing fully to accommodate the capital needs of Iran and Iraq. Second, neither Iraq nor Iran may opt to borrow heavily given the depressed conditions of the oil market and the improbability of their being able to generate a balance-of-payments surplus sufficient to pay back the debt.

²⁷ See Youssef M Ibrahim, 'Saudis decide to raise oil output, spurring chance of a price war', *The Wall Street Journal* (New York) 16 September 1985, p 1 and 'OPEC Officials Nearly Declare a Pricing War', *ibid.*, 10 December 1985, p 2. See also 'Yamani warns price could drop to \$20/B' *MEE5*, 2 December 1985, p A1.

If Iraq and Iran cannot borrow, or will not borrow, and if OPEC member-countries will not meet Iraq and Iran's needs then there is really no alternative but for them to resign themselves to the realisation that their economies will be performing below their pre-war productive capacity for a long time to come.

It is no exaggeration to say that the war has already set back the pace of and prospects of economic development in Iran and Iraq for decades to come.

Israeli foreign policy in Central America

Israeli involvement in Central America is complex, intense, multi-dimensional. It includes arms sales; programmes of military training, agricultural assistance, counter-insurgency advice, economic developmental assistance; the training of internal security police; and the employment of highly skilled military personnel. The multiplicity of capacities. Israel is also involved in significant commercial ventures in Central America. Some Israeli firms have established subsidiaries for the production of military equipment; others engage in construction and agri-business; still others are involved in the distribution and sale of Israeli-made products.

Israel's presence is most extensive in Guatemala; however, Israel is also involved in El Salvador, Costa Rica, Honduras, and Belize as well as in the training and supplying of the anti-Sandinista 'contras'. A brief overview of Israel's activities in Guatemala will serve as an illustration of its Central American entanglements.

Israel and Guatemala have a lengthy historical relationship that predates the establishment of the Jewish state. In fact the individual who headed the United Nations Special Committee on Palestine (UNSCOP) thirteen-nation group appointed by the United Nations in 1947 to determine the disposition of Palestine—who did the most to advance Zionist objectives was a Guatemalan, Jorge Garcia Granados. Among other things Granados made a special effort during the committee's visit to Palestine to meet the terrorist underground (the Irgun Zvai Leumi and the Stern Group), including a lengthy visit with Menachem Begin, head of the Irgun. Granados insisted that a subcommittee of UNSCOP (in which he participated) visit former Nazi concentration camps and displaced persons camps in Europe and then was highly instrumental in linking the 'Jewish Question' and Zionism in the UN debate on Palestine. Granados was also responsible for drawing the boundaries of the Jewish state in congruence with Zionist interests, specifically including Eastern Galilee and the Negev. In addition, he was the forceful advocate of partition among the UNSCOP members.

¹ For a discussion of Guatemala's support for Zionist interests during the United Nations consideration of the question of Palestine (and especially of Granados' personal role) see Jorge Garcia Granados, *The Birth of Israel: The Drama as I saw It*, New York: Alfred A Knopf, 1948.

Guatemala was the second government to recognise the new state of Israel in 1948, after the US. The two countries engaged in bilateral relations through the 1950s, 1960s, and early 1970s, with Guatemala benefiting from the technical assistance programmes Israel designed for Third World nations.² However, in 1977 a convergence of factors resulted in Israel assuming an increasingly important role in Guatemala. These included: (1) President Jimmy Carter's human rights policy; (2) the accession to power of the Likud government in Israel with Menachem Begin at the helm; and (3) the Guatemalan government's continuing attempt to suppress an indigenous revolutionary movement—an insurgency that traces its lineage to a US-sponsored coup in 1954 which toppled the second freely elected president of Guatemala, Jacobo Arbenz. The fundamental preoccupation of the regimes in Guatemala City since 1954 has been the suppression of this guerrilla insurrection.³ It is estimated that between 1954 and 1984,

passim. For the importance placed on Granados' efforts by Zionists see Nathaniel Lorch, 'Latin America and Israel,' *The Jerusalem Quarterly* (22) Winter 1982, p. 71. A revealing analysis of the extensiveness of Zionist diplomacy in the pre-state period in Latin America (which explains to some extent the strong support for Zionist interests that was evident in the debate over partition by many of the Central and South American countries) may be found in Edy Kaufman, 'Israel's foreign policy implementation in Latin America,' in Michael Curtis and Susan Aurelia Gittelson (ed), *Israel in the Third World*, New Brunswick, New Jersey: Transaction Books, 1976, pp. 120–46. Another explanation for the strong support Central American countries gave to the cause of Zionism in 1947–8 resides in the dependency relationship between Latin America and the US, and the general inclination of Latin American countries to follow Washington's lead. In Guatemala's case, in addition, that country was in the process of a democratic state-building experiment (aborted by the US-sponsored coup in 1954) and several Guatemalan leaders, including Granados and President Juan Jose Arevalo, saw parallels between the Zionist experiment of state-building and their own.

² For an analysis of Israel's technical assistance programmes to Third World countries which were traditionally predicated on 'Nahal'-type military-agricultural projects, by individuals sympathetic to Israel's objectives see Edy Kaufman, Yoram Shapira and Joel Baromi, *Israel-Latin American Relations*, New Brunswick, New Jersey: Transaction Books, 1979, pp. 104–26, and *passim*. Also Lorch, 'Latin America and Israel,' pp. 78–9.

³ For an analysis of the general situation in Guatemala see for example Stephen Schlesinger and Stephen Kinzer, *Bitter Fruit: The Untold Story of the American Coup in Guatemala*, Garden City, New York: Doubleday & Co, 1982; Susanne Jonas and David Tobis, *Guatemala*, New York: North American Congress on Latin America, 1974; George Black, Norma Stoltz, and Milton Jamail, *Garrison Guatemala*, special issue, *NACLA Report on the Americas* 17(1) January/February 1983, (hereafter *NACLA's Garrison Guatemala*); George Black, Norma Stoltz, and Milton Jamail, *Guatemala—The War is Not Over*, special issue, *NACLA Report on the Americas* 17(2) March/April 1983, (hereafter *NACLA's The War is Not Over*); Luisa Frank and Philip Wheaton, *Indian Guatemala: Path to Liberation—The Role of Christians in the Indian Process*, Washington DC, EPICA Task Force, 1984; George Black, Milton Jamail and Norma Stoltz Chinchilla, *Garrison Guatemala*, New York: Monthly Review Press, 1984, p. 159, (hereafter Black, *et al.* *Garrison Guatemala*); George Black, 'Under the gun,' *NACLA Report on the Americas* 19(6) November/December 1985, pp. 10–25; and Walter La Feber, *Inevitable Revolutions: The United States in Central America*, New York: W W Norton, 1983.

100,000 Guatemalans were killed as part of the government's counterinsurgency campaign while the country's human rights abuses have been deemed among the worst in the international system.⁴

In March 1977 the US State Department issued a report condemning human rights in Guatemala. The Guatemalan regime retorted that it would reject in advance any military aid from a government that dared to impose conditions on matters it considered an internal affair, thus pre-empting any move by the US Congress.⁵ Nevertheless, in response to Carter's request, Congress voted to suspend military aid to Guatemala. Since that time Israel has been its principal arms supplier.⁷ (Guatemala received its first Israeli weapons in 1975.⁸)

Guatemala has acquired an assortment of military equipment from Israel including Dabur military patrol-boats, Galil assault rifles, sub-machine guns, ammunition, mines, grenade-launchers, F-4 planes, communications equipment, electronic devices, RBV-1 armoured vehicles, personal gear, and field kitchens.⁹ By 1980

⁴ See for example Amnesty International, *Guatemala: A Government Programme of Political Murder*, London: Amnesty International Publications, 1981; Americas Watch, *Guatemala: Nation of Prisoners*, New York: Americas Watch Committee, 1984; Americas Watch, *Human Rights in Guatemala: No Neutrals Allowed*, New York: Americas Watch Committee, 1984; Susanne Jonas, Ed McCaughan and Elizabeth Sutherland Martinez (ed), *Guatemala: Trial on Trial—Testimony of the Permanent People's Tribunal*, San Francisco: Synthesis Publications, 1984; Guatemalan Information and Analysis Service (SIAG) (Managua, Nicaragua: 'Troubled Democracy', 5 July 1984; Frank and Weaton, *Indian Guatemala*, p 3. Also LeMoyné, 'For the Mayas one more calamity,' *New York Times*, 10 January 1985.

⁵ 'Shopping around for weapons,' *Central America Report*, 28 March 1977; NACLA's *The Not Over*, p 26; Black, et al., *Garrison Guatemala*, p 159.

⁶ Black, et al., *Garrison Guatemala*, p 159. (Contradicting virtually every other available source. Noam Chomsky in 'Intervention in Vietnam and Central America: parallels and differences' *Monthly Review*, September 1985, p 16 argues that US military aid to Guatemala was stopped after 1977: 'Military aid continued at approximately the normal level—barely below normal level. But we couldn't send the Green Berets. We couldn't participate as actively as we would have liked.' Chomsky offers no source for this statement, but it cannot simply be discounted—Chomsky is too serious a scholar.)

⁷ For information on Israel's pre-eminent role in arms sales to Guatemala see CERI-Centro Exterior de Reportes Informativos sobre Guatemala, Managua Nicaragua, 19 September 1984, available from SIAG Press, Managua, Nicaragua (hereafter CERI-Centro Exterior de Reportes Informativos sobre Guatemala, 'La Organización del Pueblo en Armas—ORPA Denuncia la Injerencia de Israel en Guatemala,' (In Spanish), available from SIAG Press, Managua Nicaragua (hereafter *ORPA Denuncia*); Black, et al., *Garrison Guatemala*, p 155; C. Arnson, 'Israel and Central America,' *New Outlook*, March/April 1984, p 20 for information on some of the military material Guatemala received; Israel Shahak, *Israel's Role: Weapons for Repression*, Belmont: Mass Association of Arab-American Graduates, 1982. A variety of other sources (see footnote 8), as well as my own field research, confirmed Israel's importance as Guatemala's number one weapons supplier (though it has not been the sole supplier).

⁸ See *El Día* (Mexico City), 12 August 1977.

⁹ There are many sources that carry reports of Israel's arms transfers to Guatemala, for example: Victor Perera, 'Uzi diplomacy: how Israel makes friends and enemies around



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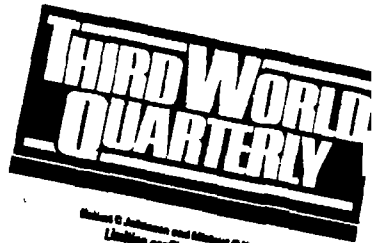
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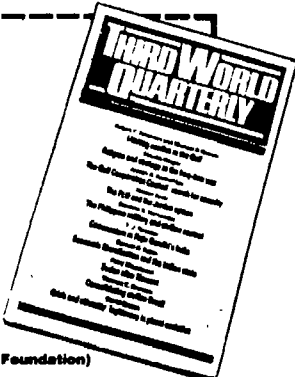





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Guatemalan army was fully equipped with Galil rifles at an estimated cost of \$6 million.¹⁰

In addition to military equipment, Israel has provided four successive Guatemalan governments counter-insurgency assistance involving the combined military/agricultural programmes in which Israel specialises. Early in 1977 President Kjell Laugerud Garcia sent two individuals to Israel in search of such advice and aid: Colonel Fernando Castillo Ramirez, Director of the National Institute of Agrarian Transformation (INTA), the major institution in Guatemala concerned with agricultural resettlement in the areas of conflict, and Leonel Giron, an agricultural economist in charge of the settlement programmes in the Franja Transversal del Norte. Shortly after their visit Israeli advisers arrived in Guatemala to plan 'civic-action' programmes in the conflictive Ixcán area in El Quiché, heartland of the revolutionary

world,' *Mother Jones*, July 1985; 'Israel's part in Central America (II),' *Central America Report*, 14 December 1984, p 386; Dial Torgerson, 'US not only arms supplier in Central America,' *Houston Chronicle* 17 January 1983; 'Israel arms for sale,' *Time* 28 March 1983; Ronald Slaughter, 'Israel arms trade: cozying up to Latin armies,' *NACLA Report on the Americas* 16(1) January/February 1982, pp 49–54; 'Problems from the barrels of Israeli guns,' *Latin America Weekly Report*, 16 May, 1980, p 10; Tim Coone, 'Israel's dangerous exports,' *New Statesman*, 9 May 1980, p 705; Cynthia Arnson, 'Arms race in Central America,' *The Nation*, 10 March 1979, p 267; George Black, 'Israel connection: not just guns for Guatemala,' *NACLA Report on the Americas*, May/June 1983, p 44; *The Economist* (London), 3 April 1982, reported that Israel was Guatemala's major arms supplier. For more information on Israeli arms sales to Latin America in general see: Leslie H Gelb, 'Israel said to step up Latin role, offering arms seized in Lebanon,' *New York Times*, 17 December 1982 (Gelb cites an instance when Secretary of State Alexander Haig 'prompted Israel to do more in Guatemala. By all accounts,' Gelb commented, 'Israel needed no prompting.') Dan Goodgame, 'Israel arms merchants find eager buyers in Latin nations,' *Miami Herald*, 13 December 1982; Esther Howard, 'Israel: the sorcerer's apprentice,' *MERIP Reports* (112) February 1983, pp 16–30; Benny Morris, 'Arms at any price,' *Jerusalem Post*, 4 June 1982; John Yemma, 'Israel guns for worldwide arms market,' *Christian Science Monitor*, 27 December 1982; Penny Lernoux, 'Who's who of dictators obtain arms from Israel,' *National Catholic Reporter*, 25 December 1981; A J McIlroy, 'Israel: arsenal of the Third World,' *The Sunday Telegraph*, 28 August 1983; Meir Pa'il, 'The folly of Israeli arms deals,' *Gensis* 2, July/August, 1983 (copyright Jewish Student Press Service, May 1983); Moshe Lichtman, 'Israel's weapon's exports—is it good for the Jews?' *Monum*, July, 1983, translated by Israel Shahak. (The Shahak Papers) Collection: 'The Israeli export of weapons,' Jerusalem, undated, but circa August 1983; and Stockholm International Peace Research Institute (SIPRI) *Yearbooks*, 1978–84.

¹⁰ Black, *et al.*, *Garrison Guatemala*, p 155. Because the issue of weapons sales is shrouded in great secrecy in Israel—owing in part to the fact that many arms transactions are private, involving no official sanction, and in part to government policy mandating secrecy—it is difficult to calculate the value to Israel of arms sales to specific countries or regions. Israeli analyst Aharon Klieman estimates that Latin America as a whole accounts for one-third to one-half of all Israeli weapons exports. (Arron [Aharon] Klieman, *Israel's Global Reach: Arms Sales as Diplomacy*, New York: Pergamon-Brassey's 1985, p 132) adding further that Argentina alone contributes thirty per cent to that total. (*Ibid.*, p 136) Of the remaining Latin American countries receiving Israeli arms, Guatemala undoubtedly ranks high in its value to Israel. However, beyond such generalisations one can only speculate on the worth of Guatemalan purchases to the Israeli arms industry.

movement and scene of constant military repression.¹¹ The programmes were initially developed through the General Directorate of Agrarian Services (DIGESA), particularly in Ixcán. (Agriculture: resettlement schemes have been an integral part of Guatemala's counter-insurgency strategy from the outset but they became significantly more sophisticated—and successful—in 1982. They have included 'scorched earth' tactics, major resettlement of peasants, and the virtual destruction of the traditional patterns of Indian social economic and cultural life.¹²)

In January 1978 Israel's Mashav (the International Cooperation Division of Israel's foreign ministry which coordinates the technical assistance programmes) initiated a two-year programme of grants for Guatemalan officials to study agricultural cooperative schemes in Israel. Fifty scholarships were made available for Guatemalans and a steady stream of planners, economists, and credit managers flowed from the National Agricultural Development Bank (BANDESA), DIGESA and INTA. A significant portion of those who went to Israel were high officials of the Guatemalan army.¹³

In February 1979 the Settlement Study Centre at Rehovot (a research and training institute affiliated with the Ministry of Agriculture)¹⁴ provided additional scholarships for officials and employees of INTA in conjunction with a rural pacification plan initiated by President Romeo Lucas García (fraudulently elected in March 1978), known as the 'Integral Plan of Rural Communities'.¹⁵ That plan, said to have contained some elements of Israeli agricultural models, especially the kibbutz and the moshav,¹⁶ was never implemented as the Lucas García regime rapidly descended into anarchy.¹⁷

General José Efraín Ríos Montt, who seized power from Lucas García in a coup in March 1982, instituted a new rural pacification

¹¹ Black, 'Israeli Connection,' p. 45.

¹² For several discussions of Guatemala's rural pacification programmes (and in some of the sources Israel's role in these programmes) see Frank and Wheaton, *Indian Guatemala*, pp. 80-9; LeMoyné, 'For the Mayas: one more calamity,' Allan Nairn, 'The guns of Guatemala,' *The New Republic*, 11 April 1983, pp. 17-21; Clare Maxwell, 'Guatemala: counterinsurgency plan eradicating native way of life,' *Latin America Press*, 25 October, 1984, pp. 3-4; Nancy Peckham, 'Bullets and beans,' *Multinational Monitor*, April, 1984, pp. 1-3; Black, 'Israeli connection,' pp. 43-5; Nancy Peckham, 'Campos de re-educación para los indígenas,' *Urmas Uno* (Mexico City), 12 February 1984; NACLA's, *The War is Not Over*, pp. 2-38.

¹³ *ORPA Denuncia*, p. 4. Also see: *CERI-GUA*, p. 4.

¹⁴ At that time Ariel Sharon was minister of agriculture.

¹⁵ *CERI-BUA*, p. 4.

¹⁶ Black, 'Israeli connection,' p. 45.

¹⁷ Amnesty International, *Guatemala: A Government Programme*.

programme—the Plan of Assistance to Conflictive Areas (PAAC)—commonly known as ‘Beans and Bullets’. The plan was conceived by Colonel Eduardo Wohlers and General Fuentes Corado, allegedly in conjunction with Israeli advisers. It involved, essentially, the elimination by force of any peasant who did not accept the government programme and ‘rewarded’ those who did with food. An initial violent crusade was unleashed against the peasants, followed by dozens of projects in the rural areas—many of which were initiated and implemented by Israelis—including housing construction in the model villages, road building, new water systems, and so on.¹⁸

One other part of the rural pacification programme that most analysts believe was suggested by Israelis, is the use of indigenous Indians in civil defence patrols to police other Indians. These patrols, which effectively serve the function of ‘divide and rule’ by setting peasant against peasant, are a fundamental key to the whole counter-insurgency strategy. Membership in the patrols is compulsory; those who refuse to join are regarded as subversives. The patrols are organised and controlled by the army and its local supporters; the peasant ‘recruits’ are then given a weapon and instructed to ‘watch’ other peasants for signs of revolutionary inclinations. There are ‘carrots’ for peasants who identify subversives and there is punishment, including death, for those who fail.¹⁹ Approximately one million civilians have been forced to join the civil defence patrols.²⁰

Ríos Montt was overthrown in a coup in 1983. The new government of General Humberto Oscar Mejía Víctores was more selective in the executions and disappearances of Indians. In addition, Mejía Víctores began a major consolidation of the rural pacification, focusing on resettlement of Indians in model villages, strengthening the civil defence patrols, developing the ‘food for work’ programme (relabelled in Ríos Montt’s last months ‘Roofs, Work, and Tortillas’), and massive developmental schemes initiated by the oligarchy. Israeli advisers are believed to have participated in every phase of this programme.

¹⁸ Peckenhams, ‘Bullets and beans,’ Peckenhams, ‘Campos de re-educación para los indígenas.’

¹⁹ Frank and Wheaton, *Indian Guatemala*, pp 80–1 and pp 84–98 for general analysis. Also for supporting information see Americas Watch, *Nation of Prisoners*; Americas Watch, *No Neutrals Allowed*; Amnesty International, *Guatemala: A Government Programme*; Maxwell, ‘Eradicating native way of life,’ pp 3–4; NACLA’s *The War is Not Over*, pp 2–38; *CERI-GUA*; *ORPA Denuncia*; and Arturo Arias, ‘Culture, genocide, and ethnocide in Guatemala,’ Ricardo Falla, ‘We charge genocide,’ Marco Antonio Sagastume, ‘On human rights in Guatemala,’ Gabriel Aguilera Peralta, ‘Report on the Guatemalan army,’ Guillermo Toriello Garrido, ‘On the role of the United States and Israel,’ in Jonas, McCaughan and Martínez, *Guatemala Tyranny on Trial*.

²⁰ SIAG, ‘Troubled democracy.’

While undoubtedly Guatemala has drawn on the experience of several sources for its counter-insurgency models including the 'strategic hamlets' in Vietnam as well as advice from Taiwanese, South African, Argentinian, and other 'experts', numerous Guatemalans have singled out Israel for special praise. For instance, Col Wohlers, Director of the PAAC, stated that Israel was the main source of inspiration for Guatemala's counter-insurgency agrarian strategy. 'Many of our technicians are Israeli-trained. The model of the kibbutz and the moshav is planted firmly in their minds. And personally I think it would be fascinating to turn our highlands into that kind of system.'

A Guatemalan national interviewed by Guatemalan scholar George Black in Mexico City had the following to say about Israel's role in the rural pacification campaign:

Agriculture holds the key to Israel's current role. In it [there is] an interlocking mosaic of assistance programs—weapons to help the Guatemalan Army fight the opposition and lay waste to the countryside, security and intelligence advice to control the local population, and agrarian development models to construct on the ashes of the highlands.²²

In January 1982 a Guatemalan City political and business leader told a *Los Angeles Times* correspondent: 'We're isolated internationally. The only friend we have left in the world is Israel.'²³ Early in 1982 Guatemala formally expressed its gratitude to Israel for the assistance it had been providing by awarding the previous ambassador to Guatemala, Elieser Armon, that country's highest honour, the Order of the Quetzal (Grand Cross).²⁴ At the award ceremony Armon and I were praised for the 'wide variety of productive activities' in which Israel was engaging in Guatemala.²⁵

In addition to the sale of military equipment and its multifaceted involvement in the counter-insurgency campaign, Israel has also been involved in a number of other capacities in Guatemala. For example, Israel constructed a computer centre in Guatemala City that became operational in late 1979 or early 1980 and is believed to contain information on 80 per cent of the Guatemalan population. This computer centre has also been used as part of the counter-insurgency

²¹ Black, 'Israeli connection,' p 45.

²² *Ibid.*, pp 44–5.

²³ Dial Torgerson, 'Guatemala army, left-wing guerrilla fighting,' *Houston Chronicle*, 26 Jan 1982.

²⁴ See Nat Hentoff, 'Should a Jewish state arm a Christian slaughterer?' *Village Voice*, 2 Jan 1983.

²⁵ Black, 'Israeli connection,' p 44.

campaign). Tadiran Israel Electronics Industries had the contract for that project.²⁶

Israel Aircraft Industries installed its Elta radar air traffic control system at the Aurora International Airport near Guatemala City. The system has subsequently been manned by Israeli technicians.²⁷

In 1981 the Guatemalan Army opened an electronics school, built, funded and staffed by Israelis, and heavily invested in by the Israeli firm Tadiran.²⁸

Tahal Consulting Engineers has won numerous contracts in Guatemala for the construction of dams, land reclamation, irrigation, drainage, and other projects related to the utilisation of water.²⁹

A munitions factory in the department of Alta Verapaz, reportedly heavily invested in by Eagle Military Gear Overseas, produces bullets for the Israeli-made Galil rifle. The factory also contains an annexe where armoured vehicles are assembled.³⁰ There have been reports that

²⁶ Sources differ on exactly when the system was installed. Frank and Wheaton, *Indian Guatemala*, p. 59 state that it was in operation in 1979. Jane Hunter, 'Israeli computers in Guatemala and El Salvador,' *Israeli Foreign Affairs* I (4), p. 1, states that it was in operation in 1980. Yoseph Pri'el reporting in *Davar* (Israel), 13 August 1982, states that it was operational 'last autumn,' meaning 1981. *Latin American Political Report*, 6 November 1981 notes the *successful* use of the system in the summer of 1981 in detecting twenty-seven guerrilla safe houses in Guatemala City. No one questions its existence and functions. For additional information on the computer system see: Guatemalan Information and Analysis Service (SIAG), 27 April 1984; Clarence Lusane, 'Israeli arms in Central America,' *Covert Action* (20) Winter 1984, p. 36; *ORPA Denuncia*, p. 3; Israel Shahak (The Shahak Papers—Translations and Commentaries on the Hebrew Press), Jerusalem, 29 August 1982; Amnesty International, *Guatemala: A Government Programme*.

²⁷ See Aharon Klieman, *Israeli Arms Sales: Perspectives and Prospects*, Tel Aviv: Jaffee Center for Strategic Studies, Tel Aviv University, Paper No 24, February 1984, p. 28; *Central America Report*, 31 October 1977.

²⁸ See *Latin America Regional Report*, 19 August 1983. *CERI-GUA*, p. 5; Hunter, 'Israeli computers,' p. 3 and notes; Black, 'Israeli connection,' p. 44; 'Moderna escuela de transmisiones y electronica del ejercito inaugurada,' *Diario de Centro America* (Guatemala City), 5 November 1981; *Ma'ariv* (Israel), 22 November 1981, translated in Shahak *Israel's Global Role*, p. 43. Also see the analysis by Israel Shahak, (Shahak Papers) 'Report on the recent Israeli involvement in Central America,' Jerusalem, 1 December 1981.

²⁹ Personal interview with an American engineer employed by an American firm which has traditionally done considerable business in Guatemala but increasingly finds his company outbid by Israeli firms.

³⁰ See *Nuevo Diario* (Nicaragua), 9 November 1983; *Granma* (US), 30 October, 1983; *Disweek* (Belize), 18 November 1983; *Guardian* (US), 16 November 1983; Guatemalan Information and Analysis Service (SIAG), 27 April 1984. There are numerous sources which argue that the plant was built with Israeli capital and technology, and that Israeli technicians set up the factory. See for example: *Latin America Regional Report*, 2 December 1983 and *Enfoprensa*, 6 January 1984. Other sources have alleged that Austria is the major external investor in the munitions factory. It has been impossible for this writer to verify with absolute certainty the Israeli role in investment and construction of the munitions plant. However, since it was built to produce bullets for the Israeli Galil (and is expected to produce the Galil itself in the future); it is not unreasonable to accept the reports of those who argue that Israeli interests are the major ones behind it. On the other hand one would want to know the profit-sharing arrangements between the foreign investors and the Guatemalans. Also see: Stephen Kinzer, 'Guatemalan spurns renewed US military aid,' *New York Times*, 7 July 1984.

there are plans for building the Kfir aircraft in Guatemala,³¹ although has not been possible independently to verify this and there are a number of reasons to doubt the feasibility of such a project. However, as several Israelis have argued, Guatemala is most likely the primary centre of secondary distribution of Israeli military equipment for Central America.³²

In addition, Israeli advisers have been intimately involved in a variety of capacities with the Guatemalan government and armed forces—with the security police and the regular army and air force. The Israeli presence expanded from eighteen in 1970³³ to some 300 by 1983³⁴ and was transformed from a fundamentally agricultural orientation to an essentially military/security function. In December 1982 the *New York Times* reported the presence of Israeli military advisers in Guatemala and numerous sources, including both Israeli and Guatemalan, have reported that Israeli advisers assisted in the planning and implementation of the coup that overthrew Lucas Garcia and brought Ríos Montt to power.³⁵ Other sources have linked Israeli advisers to numerous military and paramilitary activities in Guatemala, though it is impossible to verify with certainty the extent of Israeli involvement in these more unsavoury endeavours.³⁷

³¹ SIAG, 27 April 1984, plus information from author's own interviews in Central America in the summer of 1984.

³² See the analysis by Shahak, 'Report on the recent Israeli involvement in Central America'.

³³ Kaufman, Shapira, and Barromi, *Israel-Latin American Relations*, p. 247.

³⁴ *Central America Report*, 2 December 1983, citing *Disweek* (Belize).

³⁵ Gelb, 'Israel said to step up Latin role.' Also see Edward Cody, 'El Salvador, Israel set to test,' *Washington Post*, 17 August 1983.

³⁶ Yoav Karni, *Yediot Ahronot* (Israel), 28 March 1982 and Haim Baram, *Haolam Huzeh* (Israel), 12 April 1982. Also see NACLA's *The War is Not Over*, p. 30. For additional material on Israeli advisers in Guatemala (and Israeli arms sales to Guatemala) see Black, *et al.*, *Guns in Guatemala*, p. 156; *Latin America Weekly Report*, 6 August 1982; Ignacio Klich, 'Israel arms dictators,' *Middle East International*, 23 December 1982 in the context of a discussion about the Rights Knesset Member Shulamit Aloni who attempted, without success, to initiate parliamentary investigation into Israel's activities in Guatemala; Kaufman, 'The view from Jerusalem,' p. 46; Emmanuel Rosen, 'Lonely wolves in the arms jungle,' *Ma'ariv* (Israel), 1 August 1982, translated by Israel Shahak, (The Shahak Papers), Collection: 'The Israeli export of arms,' Jerusalem, undated, but circa late August 1982; Reuben Padhazur, 'The path of dealers,' *Ha'aretz* (Israel), 1 March 1985, translated by Israel Shahak (The Shahak Papers), Collection: 'The Israeli military industry and the role of Israelis in support of dictatorial regimes,' Jerusalem, no date, but circa April 1985; *Excelsior* (Mexico City), 11 October 1982.

³⁷ Israel Shahak, in the collection 'Report on recent Israeli involvement in Central America' (December 1981), states: 'An especially important item of Israeli export are the so-called "anti-terror" Israeli specialists. These are really experts in torture, especially in the sophisticated methods of torture, such as inflict maximum amount of pain without killing. Israeli "specialists" who return home, blame very much "the local torturers" for "emotional" and so "killing too early," and in their opinion, "unnecessarily." Guatemala has become the centre for training of torturers by Israeli "experts" in this trade, and for other

These are but the highlights of Israel's involvement in *one* Central American country. Additional details of Israel's involvement in Guatemala may be found in several sources,³⁸ and details of Israel's involvement throughout Central America are also available.³⁹ The remainder of this article will focus on an analysis of the reasons for Israel's involvement in Central America.

There are four main factors that underlie Israel's foreign policies in Central America—factors which are also relevant to an understanding of all Israeli–Third World relations.

First, there is a direct link between Israel's policies in the Middle East and its activities in Central America: indeed, the Central American entanglements are an extension of the country's regional objectives. Second, there is a connection between Israel's domestic political situation and its Central American involvements. This linkage is related to the intensifying militarisation of Israeli society—which itself is related to the country's Middle East goals—and is reflected in the fact that the military—the army in particular—has become an increasingly independent power in Israel. This has resulted in foreign policy decisions being dominated by the military and by military-industrial interests. Indeed, the growth of the corporate military sector in Israel—also related to Israel's regional objectives, as well as to the personal interests of the industrial and governmental elites—is a major aspect of its Central American policies. Third, there is a significant congruence between the outcome of Israel's involvements in Central America and the United States' interests in that region, although Israeli policies are not necessarily dictated by the United States' wishes. While the United States attempts to use Israel to further its own objectives in Central America, Israeli policies are sometimes undertaken with the specific intention of lessening its dependence on the United States and increasing its general foreign policy independence. In the instances when Israel's policies are initiated with the objective of serving American interests, they are done so primarily as a means of further

as well. The case of El Salvador where the Orden people are trained by Israelis in Guatemala, has been known for some time.' On the intimate relationship between Guatemala and the death squads in El Salvador see the series of articles written by journalist Craig Pyes which appeared in the *Albuquerque Journal*, 18–22 December 1983.

³⁸ See Cheryl A Rubenberg, 'Israel and Guatemala: a case study of Israeli foreign policy,' *MERIC Reports*, April–May, 1986; Perera, 'Uzi diplomacy,' pp 40–8.

³⁹ See Margo Gutierrez and Milton Jamail, *Israeli Military Involvement in Central America*, Belmont, Mass.: Association of Arab-American University Graduates, 1986 and Benjamin Beit-Hallahmi, 'US–Israeli–Central American connection,' *The Link* 18(4) November 1985.

cementing the US-Israeli tie in order to increase Israel's leverage on Washington's Middle East policies. Some Israeli 'policies' are mere happenstance—the outcome of initiatives by individuals, corporations and institutes operating without any overall policy directive from the Israeli government. Nevertheless, there is a striking convergence between the results of all these policies, regardless of their motivation and American interests. Fourth, because of Israel's international isolation it has made a concerted effort to develop programmes of assistance for Third World countries as a means of increasing its global friendships. Because of the crucial support which several Central American states gave to Zionists in the pre-state period and during the early years of statehood, Israel has focused special attention on that region.⁴⁰ Moreover, because of its international isolation, Israeli leaders have reasoned that they could not be particular about the kind of regimes they assisted. One prominent Israeli stated, when queried about the Israeli-Guatemalan relationship:

Israel is a pariah state. When people ask us for something, we cannot afford to ask questions about ideology. The only type of regime that Israel would not support would be one that is anti-American. Also, if we can aid a country that it may be inconvenient for the US to help, we would be cutting off our nose to spite our face not to.⁴¹

The following analysis elaborates on these four factors.

The linkage between Israel's Middle East regional objectives and its involvements in Central America results from the nature of those goals which include: (1) absolute military superiority *vis-à-vis* the Arab states; (2) the suppression of Palestinian self-determination, (3) the Judaisation of Jerusalem and maintenance of the formal annexation legislated in 1980, (4) integration of the bulk of the West Bank with Israel, (5) retention of the Golan Heights, and (6) some type of control over south Lebanon.

The effort to realise these regional objectives has given rise to certain domestic conditions which have international implications. For example, for eighteen years Israel has maintained a military occupation

⁴⁰ It is interesting to note that Israel is the only extra-hemisphere member of the OAS besides Spain.

⁴¹ Public statement in lecture delivered by Yohanan Ramati, editor of the Israeli journal *Economist* and former member of the Foreign Relations Committee during the Likud Government (1977-84), Florida International University, Bay Vista Campus, 6 March 1984. Regarding Israel's support for international pariahs it is worth recalling Israel's strong backing for Anastasio Somoza until the very hour of his departure from Nicaragua.

over the West Bank and the Gaza Strip, as well as the Golan Heights. Thus an entire generation of Israelis has been trained to impose Israeli rule over subject peoples. Retired General Matti Peled has commented on one consequence of this: 'Israel has given its soldiers practical training in the art of oppression and in methods of collective punishment. It is no wonder, then, that after their release from the army, some of those officers choose to make use of their knowledge in the service of dictators and that those dictators are pleased to take in the Israeli experts.'⁴² Peled is referring here to the large number of retired officers and military men who independently seek employment with foreign governments. Arich Egozi writing in the Hebrew newspaper *Yediot Ahronot*, notes that these individuals have become a major Israeli 'export article'.⁴³ In analysing the presence of Israeli advisers in any given country, as, for example, Guatemala, it is difficult to ascertain how many are there on government-to-government programmes and how many are working as mercenaries on their own. However, whatever the nature of their tenure, the high quality of the expertise that they offer is widely acknowledged.

Peled further comments on the consequences of the militarisation process:

In recent years Israeli policy has been that of unrestricted rearming. The Israeli army has been increased far beyond the real security needs. . . . The increase in armament and the direction of large parts of the resources of the Israeli economy toward military industries necessitates then the seeking of markets for the arms, necessitates not to be choosy in the clients who want to buy Israeli arms and turns Israel into a merchant of blood.⁴⁴

Peled thus provides some insight into Israel's inexorable search for markets for its military equipment. However, it is to be noted that the process of militarisation in Israel began before the 1967 June War. Israel was born out of a military struggle involving the terrorism of the Irgun and the Stern as well as the 'regular' ground and air campaigns of the Haganah, resulting in the forcible displacement and dispossession of over 770,000 indigenous inhabitants from the country which became the state of Israel. Israel quickly developed a policy of massive military 'reprisal' against neighbouring Arab states to deal with incursions by dispossessed Palestinians. In 1956 Israel engaged in its first major offensive

⁴² Matti Peled, M K, 'Israel and the arms market,' *Ha'aretz*, 4 March 1985, translated by Shahak. 'The Israeli Military Industry.'

⁴³ Arich Egozi, 'An Israeli for hire,' *Yediot Ahronot*, 3 April 1985, translated by Shahak. *op. cit*

⁴⁴ Peled, 'Israel and the arms market.'

military campaign. The 1967 June War was a second offensive strike followed quickly by the development of an ideology and practice institutionalise its occupation while initiating a process of colonisation of the conquered territories. Israel engaged in the War of Attrition with Egypt during 1967–9, battled with Syria and Egypt over retention of their territory in 1973, and invaded Lebanon in 1978 with a greatly expanded sequel in 1982. Thus as a result of frequent external war and military strategy of massive reprisal (as well as 'pre-emptive') occupation, the need to suppress the Palestinian population under occupation, colonisation, and a tendency for military leaders to assume high government office, Israel has become increasingly militarised. It is also important to note as Israeli Professor Aharon Klieman demonstrated in two recent works that:

Most of the men at the top of the hierarchy in each of the groups within the coalition [i.e. government officials, military, and the business community] share a common military background; many are former career officers. . . . This understanding of modern Jewish history, with its themes of the Holocaust and powerlessness, reinforced by long professional military training, causes the elites to be impressed by visible manifestations of power and strength at the same time that they are inclined to be cynical toward false standards of international conduct.⁴⁵

Another aspect to the analysis of Israel's growing militarism is the length of military service in Israel—both compulsory and reserve duty—has not been shortened to conform to the changed strategic situation in the post-1967 period, which was totally transformed in Israel's favour.⁴⁶ One result of this is that there are, as noted, hundreds of military 'experts' looking for employment outside Israel. Likewise in spite of the positively altered strategic environment, the Israeli defence budget has continuously increased rather than stabilising or decreasing. What is more, as Ze'ev Schiff, military correspondent for *Ha'aretz* notes, the finance ministry (the civilian sector of the government dealing with budgetary affairs) no longer controls the defence budget. Instead, it is controlled separately—and secretly—by top military personnel in the defence ministry, suggesting the enhanced power of

⁴⁵ Klieman, *Israeli Arms Sales*, p. 37 and pp. 34–9. Also see Klieman, *Israel's Global Reach*. In addition see Yoram Peri and Amnon Neubach, *The Military Industrial Complex in Israel: A Pilot Study*, Tel Aviv: International Center for Peace in the Middle East, January 1985.

⁴⁶ Daniel Friedmann, 'Soldiers forever,' *Ma'ariv*, 3 May 1985, translated by Israel Shahak, (Shahak Papers) Collection: 'The further militarization of Israeli society and its economy and the belated protest against this tendency,' Jerusalem, no date, but circa May 1985.

military in the Israeli polity.⁴⁷ Indeed, another result of the process of militarisation is the heightened role of the Israeli Defence Forces (IDF) as a power factor and a decision-maker within Israel. This leads to policies—both regional and international (eg, Central America)—emphasising military solutions to all situations.

Finally, it is evident that the regional objectives and the concomitant process of militarisation have made Israel an expert in a variety of techniques that are extremely useful to regimes such as Guatemala and El Salvador. For example, Israel's successful counter-insurgency policies (developed to suppress the Palestinians) have been important models for both countries, though they have been much more systematically and successfully employed in Guatemala.

Israeli's commercial and economic interests in Central America are also related to its Middle East objectives, particularly the goal of maintaining absolute military superiority in the area.

Analysts rank Israel as the fourth strongest military power globally and (depending on the analyst) as either the seventh or twelfth largest exporter of conventional weapons.⁴⁸ Israel's export interests are related to its desire for military dominance coupled with its desire for self-sufficiency in arms production. The official US arms embargo in 1948, the French embargo in 1967, and the brief delay in the US airlift during the 1973 war—in the context of Israel's commitment to military superiority, its preference for dominating its neighbours rather than seeking accommodation with them, and its determination to suppress Palestinian nationalism—have provided the impetus for independence in armament production. However, the small size of the country as well as its inherent financial weakness made the development of a military-industrial complex on the desired qualitative scale problematic. Thus the development of external markets was essential to solve the 'economy of scale' problem in military production. In addition, the export of arms has sustained production at full capacity, facilitating strategic planning and stockpiling, and assuring supplies when needed; at the same time permitting scarce resources to be spent on science and technology, and on research and development—thus maintaining the country's qualitative edge.⁴⁹

In addition, there have been significant economic motivations

⁴⁷ Ze'ev Schiff, 'The show in the hole,' *Ha'aretz*, 29 April 1985, translated by Shahak. *Ibid.*

⁴⁸ Klieman, *Israeli Arms Sales*, p 5. Klieman ranks it twelfth.

⁴⁹ *Ibid.*, pp 18–21. Also see: Jean A Briggs, 'We need entrepreneurs, not military heroes,' *Forbes*, 7 November 1983, pp 134–42.

associated with the production of armaments for export. Israel's 150 companies that engage in the manufacture of exportable military equipment employ, directly or indirectly, 60,000 people—some 18–20 per cent of the entire (non-Arab) industrial work force. Moreover, weapons transfers represent one-fifth of industrial exports and one-tenth of all exports.⁵⁰ Thus, both levels of employment and balance-of-payments considerations are critically related to the sale of military equipment. In fact, it has been the arms export programme which has salvaged Israel's trade position in the face of a chronic trade deficit. Thus, as Israeli analyst Edy Kaufman notes, 'In order to understand the nature of Israel's military negotiations with Central America, one must realise that Israel would not refrain from selling arms to any regime, whatever the political orientation of that regime.'⁵¹

Analysing the convergence of Israeli and US interests in Central America and sorting out which Israeli policies are motivated by a desire to serve US interests, which are motivated by a desire to further Israel's independence from the United States, and which are mere happenstance is fairly complex and space does not permit such an analysis here. However, several factors converged in the fall of 1981 which suggested that Israel was pursuing policies designed in large measure to serve US interests. (At the same time, though, Israel was fulfilling a number of objectives of its own through these policies.)

First, General Ariel Sharon had been appointed Minister of Defence in the second Begin Administration, and both Begin and Sharon felt strongly that insofar as they could cement Israeli ties with Washington by performing indispensable functions for the United States in third countries (especially ones of such strategic significance to Washington as the Central American nations), Israel would have greater leverage over Washington's Middle East policies. This was particularly important to Sharon, who by the Autumn of 1981 was planning for the invasion of Lebanon, and wanted to be certain that the US-Israeli partnership was strong enough to deter any adverse reactions from Washington to the Lebanon campaign. (At the same time there seems little doubt that the Begin government felt a genuine affinity with the rulers in Guatemala City who were battling for their 'survival' against a widespread and determined revolutionary movement. It is likely, too, that Begin and his colleagues remembered with gratitude the support given by Guatemala for their interests—indeed for their personal

⁵⁰ Klieman, *Israeli Arms Sales*, p 215, *op. cit.*

⁵¹ Kaufman, 'The view from Jerusalem,' p 45, *op. cit.*

cause—in 1947. However, such ideological and personal factors, while noteworthy in-and-of themselves, do not transcend the *realpolitik* analysis.)

Second, the Reagan Administration was extremely concerned about events in Central America, and was determined to foster an outcome in El Salvador and Nicaragua consonant with its conservative anti-Communist ideological world view. In addition, Guatemala's significance in the overall regional strategy was an important concern, and the administration chafed under Congressional restraints limiting its ability to assist the Guatemalan government.

The above two factors converged in a third element. The United States and Israel signed a Memorandum of Understanding on Strategic Cooperation on 30 November 1981. The aspect of that accord which applied to Third World countries involved differing, but parallel motivations for Israel and the United States. The Reagan Administration hoped to use Israel to continue support for pro-American regimes and non-regime groups such as the 'contras', which it could not openly aid as a result of Congressional restrictions and/or public opinion.⁵² Israel sought to strengthen its ties to Washington by providing arms and advisers to countries wherein it was politically difficult (from a domestic standpoint) for the United States to do so, for example as regards training and supplying the 'contras' or sending military advisers and armaments to Guatemala. By performing such a 'proxy' function for the United States, Israel, as noted, expected to be able to increase its pressure on Washington to mould American policies on the Middle East in congruence with Israeli objectives.⁵³ In addition,

⁵² See Philip Taubman, 'Israel said to aid Latin aims of US,' *New York Times*, 21 July 1983, who wrote: 'Israel, at the request of the United States, has agreed to send weapons . . . to Honduras for eventual use by Nicaraguan rebels . . . The new role brings Israel closer to acting as a surrogate for the United States . . . American officials said that the Reagan Administration, concerned about congressional limitations on involvement in Central America, had encouraged the Israeli activities as a means of supplementing American security assistance to friendly governments.' Also see John Goshko, 'US, Israel discuss increasing aid to Third World countries,' *The Washington Post*, 27 April 1984; Wolf Blitzer, 'US wants Israeli aid in Central America,' *Jerusalem Post*, 22 April 1984—Blitzer noted that the 'administration would like to see Israel encourage its own supporters in the Congress and elsewhere to become more assertive in backing the "contras" . . . For a detailed and sound analysis of the meaning of the memorandum for Israeli activities in Third World, especially Central American, countries see: 'Israel steps into the breach,' *Latin America Weekly Report*, 18 December 1981. Also see: Joe Stork, 'Israel as a strategic asset,' *MERIP Reports* (105) May 1982, p 12, and *passim*; and Howard, 'The sorcerer's apprentice,' pp 16–30.

⁵³ It should be noted that even when Israel has acted to further the anti-Communist ends of the Reagan Administration, its own predilections on this issue differ markedly from Washington's. For an excellent analysis of the divergent perspectives of Israel and the US in the implementation of 'strategic cooperation'—ie, Washington wanting to focus on anti-Communist

Israel would benefit economically from the increased markets for its military products. This, of course, contributed to Israel's independence in armament production and therefore to a lessening of its dependence on the United States, at the same time aiding its balance of payments. Moreover, the 1981 memorandum provided that Washington would grant third countries permission to spend part of their US military credits in Israel. The provisions in the agreement related to such matters did not entirely satisfy Israel; nevertheless, the *Jerusalem Post* claimed that the memorandum 'laid the groundwork for using Israel's defence needs and the American aid that nourishes them, to create a broader base for Israel's industrial development'.⁵⁴

The strategic cooperation agreement was 'suspended' less than a month after it was signed as a result of Israel's annexation of the Golan Heights, but Defence Minister Sharon insisted that it remained 'secretly' in effect.⁵⁵ The accord was formally reinstated in November 1983. Part of the discussion leading to its reinstatement was a specific proposal that Israel become a conduit for American aid to 'anti-communist' forces in Central America—again primarily the 'contras' and the Guatemalans (though also to El Salvador)—through a fund the administration would establish independent of the government budget to finance projects implemented by Israeli 'experts'.⁵⁶

contingencies and Israel wanting to focus on its traditional interest in fighting land and air wars with Arab states and combating PLO 'terrorism'—see Leslie Gelb, 'United States-Israeli talks said to aim at Soviets,' *New York Times*, 20 July 1984. Israel has many reasons for being less fanatically 'anti-Communist' than the US—for one its desire to maintain the flow of Soviet Jewish immigrants.

⁵⁴ See the analysis in *Mideast Commentary* (7) January, 1982.

⁵⁵ For a lengthy report and analysis see: Dan Goodgame, 'Latin America provides market for Israeli arms,' *Miami Herald*, 13 December 1982. Goodgame quotes Yoav Karni of Israel's *Yediot Ahronot* as stating: 'The Israelis may be seen as American proxies in Honduras and Guatemala just as the Cubans are proxies for the Soviet Union . . .'

⁵⁶ The proposal was discussed in a *New York Times*, 22 April 1984 article, excerpted from *Ha'aretz*, although the Israeli government officially denied it was going to play such a role. See also: Frank Greve, 'Israel reported set to pick up US role with Latins,' *Philadelphia Inquirer*, 31 May 1984; Edward Walsh, 'Israel's diplomacy makes Central America a market for its arms,' *Washington Post*, 16 June 1984. Also see the earlier article by Dan Goodgame, 'Israel asks US to finance sales to Latin America,' *Miami Herald*, 13 December 1982. Goodgame discusses Israeli requests of the American government to allow countries in Latin America and elsewhere to spend part of their American military aid (Foreign Military Sales credits) in Israel (with Israeli firms); and to have Washington funnel military aid through Israel to countries like Honduras and Guatemala. It is clear that part of the November 1983 strategic cooperation agreement was the Reagan Administration's acquiescence to these requests. The Guatemalan Information and Analysis Service (SIAG), in its 14 September 1984 Weekly Letter, 'The Guatemalan Connection,' notes that: '... the embassies of Israel and Taiwan are being used to secretly channel North American private and state funds to the Nicaraguan counter-revolutionaries operating out of Honduras and Costa Rica.' For an indepth analysis and extensive citations see: 'Reagan's unseen ally in Central America,' *Israeli Foreign Affairs* (1) December 1984, pp 1-2.

Israel's objective of increasing its leverage over US Middle East policy seems to have enjoyed remarkable success with the Reagan Administration which has proved more politically supportive of Israel than any previous American government.⁵⁷ The most concrete manifestation of that support has been the strategic cooperation agreement itself; however, other equally important manifestations are evident in the absence of effective US sanctions when Israel bombed the nearly completed French-built nuclear reactor in Baghdad in June 1981 and then bombarded a residential sector of Beirut in July of the same year; or, when it 'reunified' Jerusalem in 1980 and annexed the Golan Heights in 1981. The American nod of approval to the Israeli invasion of Lebanon in June 1982 and Washington's quiet acceptance of Israel's categorical rejection of the September 1982 Reagan Plan, including its defiant intensification of the settlement programme in the West Bank, are further examples of such support. In addition, the consistent diplomatic backing the United States provides Israel at the United Nations, the granting of a US-Israeli free trade area, and the massive amounts of ever-increasing economic and military aid given by Washington are further indications of Reagan Administration support for Israel.

The *Washington Post* revealed an additional aspect of the benefits Israel derives from its relationship with Washington when it reported that the US was providing Israel with highly specialised intelligence data on the Arab states. According to the *Post*:

Retired Israeli Major-General Yehoshua Saguy, who was head of Israeli military intelligence from 1979 to 1983, said in an interview earlier this year that the CIA now gives the Israelis access to data from reconnaissance satellites 'not only the information but the photos themselves . . . Casey [William J, CIA Director] now says "yes" all the time.' Saguy said Casey's action was 'very wise politically' and confirmed it was a reversal from the policy of CIA Director Stansfield Turner, who left office in early 1981.

Also, Ilana Debarc, 'Dilemma in C. (sic) America,' *The Jerusalem Post*, 27 April 1984. It is interesting to note that one of Israel's most devoted supporters in Congress, Representative Howard Berman (D, California) introduced a bill in 1984, the essence of which became a provision of the fiscal year 1985 foreign aid program, that added \$2 million to the total aid package to Israel 'only for cooperative projects among the United States, Israel, and developing countries.' (See the analysis by Allan Kellum, 'Update on Congress,' *The Washington Report on Middle East Affairs* 3(8) 15 October 1984.

⁵⁷ For an analysis of the extent of US policies favouring Israel see: Cheryl A Rubenberg, 'The conduct of United States Foreign policy in the Middle East in the 1983-4 election season,' *American-Arab Affairs* (9) Summer 1984, pp 22-45. Also see Cheryl A Rubenberg, *Israel and the American National Interest: A Critical Examination*, Champaign-Urbana: The University of Illinois Press, 600 pp forthcoming, 1986.

... One official called the current CIA support 'Casey's gift,' and said it is so valuable to the Israelis that no price tag could be put on it. 'The Israelis would have every reason to do what Casey wanted [in Central America].'⁵⁸

In July 1983 the *New York Times* noted: 'American officials, in confirming Israel's cooperation in Central America, said that it was a factor in the recent improvement of Israeli-United States relations.'⁵⁹ It would be a mistake, however, to assess the Reagan Administration's extraordinary backing for Israel solely as a function of Israel's services in Central America. The President as well as his first Secretary of State, Alexander Haig, and his second Secretary of State, George Shultz (to a lesser extent also Defense Secretary Caspar Weinberger) in addition to numerous other officials in top administrative positions, have been devoted advocates of the thesis that Israel serves US interests in the Middle East as a strategic asset to American power and a bulwark in the regional/global anti-Communist crusade. In addition, the enormous influence of the pro-Israeli lobby in US domestic politics cannot be overlooked as an explanation for Washington's slavish support for Israel. In any case, Israel obviously has numerous reasons to be 'helpful' to Washington in Central America.

Finally, Israel's Central American policies have been related to its desire to decrease its international isolation. There seems to have been significant pay-off for Israel in this regard too. For instance, according to Israeli diplomat Nathaniel Lorch, there is a positive correlation between Israeli assistance and Guatemalan political support.⁶⁰ Indeed, *Guatemala has provided consistent ideological backing to Israel*, particularly on United Nations resolutions that were important to it, although following the 1980 Reunification of Jerusalem Law Guatemala moved its embassy to Tel Aviv and has not returned it. Costa Rica and El Salvador have moved their embassies to Jerusalem, however; and Guatemala may very well do so in the near future.

On the other hand, the Israeli Embassy in Guatemala City was twice bombed during 1982 and an Israeli diplomatic representative was kidnapped in El Salvador in the same year.⁶¹ It is not unreasonable to link such occurrences with Israel's support for the repressive governments in these countries. In effect, Israel risks the welfare of its

⁵⁸ Bob Woodward, 'CIA sought 3rd country Contra aid,' *Washington Post*, 19 May 1984.

⁵⁹ Taubman, 'Israel said to aid Latin aims of the US,' *op. cit.*

⁶⁰ Lorch, 'Latin America and Israel,' p 81, *op. cit.*

⁶¹ *Jewish Telegraphic Agency*, 14 January 1982; *Latin America Weekly Report*, 6 August 1982; Klich, 'Israel arms the dictators,' *op. cit.*

citizens and the local Jewish communities by its policies in Central America. In addition, as Victor Perera, a Guatemalan Jew noted, whenever a movement of national liberation gains power in one of Israel's client nations—as has happened in Nicaragua—the new leaders are quite likely to point to Israel as the 'enemy of the people'.⁶² Thus the Israeli policy of supporting governments like Guatemala and El Salvador may prove to have serious disadvantageous long-term consequences for the Jewish state.

Nevertheless, Israel apparently calculates that the short-term benefits that accrue to it—economic, commercial, political, and the multiplicity of benefits from the United States—outweigh any potentially negative future outcomes. More important, regardless of Israel's relationship with Washington, for there to be fundamental change in Israel's policies toward Central America or other Third World areas, there would have to be significant changes in Israel's Middle East policies in the direction of accommodation with the Palestinians and with the other forces in the region, as well as a diminution of the power of the military and the military-industrial complex within the Israeli domestic equation. Neither of these appear likely. Indeed, the growing militarisation of Israeli society virtually assures the continuation of militaristic policies regionally and in turn broadened international involvements. As such there is no reason to expect any decline in Israeli activity in Central America in the near future.

⁶² See the analysis by Victor Perera, 'Israel's Goliath,' *Humanitas*, 1982 (xerox from the author, no month given). Also Kaufman, 'View from Jerusalem,' p 46 who makes a similar analysis.

Undermined: the implications of mineral export dependence for state formation in Africa

We have here, in Africa, everything necessary to become a powerful, modern, industrialised continent . . . Africa, far from having inadequate resources, is probably better equipped for industrialisation than almost any other region in the world.
(Kwame Nkrumah)

Kwame Nkrumah was surely right in his assessment of Africa's resource potential for development, yet a quarter of a century after independence his dream of an industrialised and developed Africa is further out of grasp than in 1960. The question is why? What explains African countries' inability to capitalise on the continent's vast natural and human resources? More generally, what shapes any state's capacity to establish the conditions necessary for sustained gains in national welfare?

This question has become the battleground in a contest of orthodoxies. On the one hand is what might be called a 'dependency' orthodoxy; on the other is a renewed liberal orthodoxy. Though they reach totally different answers, both address the same essential question: can Third World states act to improve their standing in the international division of labour? Their conclusions provide the endpoints to a continuum of possible answers.

In its crudest form the 'dependency' orthodoxy holds that Third World states are, in themselves, irrelevant, their domestic character and international prospects being determined by their position in the international political economy. Thus, self-improvement while still in the existing international division of labour is impossible.¹ Success requires either opting out,² or a transformation of the international economic order by the 'revolutionary destruction of bourgeois capitalism and its replacement by socialist development'³ or the

¹ Immanuel Wallerstein, 'The rise and future demise of the world capitalist system: concepts for comparative analysis,' in *The Capitalist World-Economy*, New York: Cambridge University Press, 1983, p. 21.

² *idem*, 'Dependence in an interdependent world: the limited possibilities of transformation within the capitalist world-economy,' in *ibid*, pp. 71-2.

³ André Gunder Frank, *Lumpenbourgeoisie, Lumpen-development: Dependence, Class and Politics in Latin America*, New York: Monthly Review Press, 1972, p. 136.

imposition of a redistributive New International Economic Order. For African countries the implications are clear: underdevelopment derives from their extractive role in a European-imposed division of labour, and development requires at least a 'selective delinking . . . from the present international economic system.'⁴

Conversely, the liberal orthodoxy is best summed up by the World Bank assertion that 'while powerfully influenced by the international environment, the progress of developing countries depends even more on their own policies and initiatives.'⁵ The international economic system is not hostile nor should it be eschewed. To the contrary, all is possible—provided states choose and have the political will to pursue policies of export-led growth. (Indeed, none of the recommended policies nor their promised results 'can be regarded as unachievable since they have already been achieved by some developing countries.'⁶ Accordingly, Africa's troubles may be attributed to domestic policy failures which have been 'in many cases, decisive', although 'for most of the continent a bright economic future is within reach', if mistaken policies are corrected.⁷

Both orthodoxies suffer from the same false, and fatal, universalism. The world is not 'one' nor are LDCs as undifferentiated as both orthodoxies contend. To the contrary, 'looking out' and 'looking in' different states face dramatically different risks and opportunities. Thus, on the one hand, it is necessary to explain the quantitatively (perhaps qualitatively) better international performance of the East Asian NICs as compared to African countries' sad showings. On the other, if policy choice is all, it is essential to understand why the NICs have systematically chosen correctly, while African states have always been wrong. Neither orthodoxy, in short, asks: first, what determines states' ability to profit by opportunities offered in international economic competition and manage the risks inherent in it? and, secondly, what determines the domestic political capability necessary to

⁴ Lynn Krieger Mytelka, 'The limits of export-led development: The Ivory Coast's experience with manufacturers', in *The Antinomies of Interdependence: National Welfare and the International Division of Labor*, John G Ruggie (ed), New York: Columbia University Press, 1983, p 240.

⁵ World Bank, *World Development Report, 1980*, New York: Oxford University Press, 1980, p 96.

⁶ *idem*, *World Development Report, 1984*, p 2.

⁷ *idem*, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*, Washington DC: The World Bank, 1981, pp 24, 16. Indeed, 'Of the policy failings that contributed to slow growth in other developing countries, all can be found in more or less chronic form in many African countries. The scope for raising growth rates by improving policies is therefore greatest in Africa.' *World Development Report, 1984*, p 2.

formulate and implement strategies for doing so, while promoting sustainable growth with equity? A new approach is needed that addresses the key analytical question directly: which states, under what conditions, will be able to advance their position in the international division of labour and so achieve significant, sustainable welfare gains for their citizens?

This paper presents one such alternative: sectoral analysis. It contends that a state's capacity to improve its relative position in the international division of labour depends on the nature of the leading economic sector through which it is linked to the international economy. Internationally, sectoral characteristics determine states' opportunities for greater gains, the risks they face and their prospects for managing them. Domestically, different leading sectors generate characteristic patterns of state-society relations, political capabilities, and even forms of the state. These largely determine states' capacity to formulate and implement strategies for advancement in the international division of labour, risk management, and development. In short, sectoral characteristics determine how much autonomous power states can exercise at home and abroad. Thus, contrary to the dependency position, the issue is not engagement in the international economy *per se*, but what sort. And contrary to World Bank claims, the issue is not merely policy choice, but the extent to which policies are possible given the underlying structure of state-society relations deriving from a country's particular sectoral connection to the international economy.

For the purposes of illustration, this paper focuses on four African states tied to the international economy via mineral production: Guinea (bauxite), Liberia (iron ore), Nigeria (oil), and Zambia (copper). In brief, it argues that such states face a bleak future. The capital-intensity of the mineral sector requires steady production at near full capacity, yet the sector is renowned for its booms and busts. Mineral extraction is thus a high stakes, high risk game in which risk management is the key to success. But because national producers cannot pursue risk management through horizontal and vertical integration as can the mineral MNCs, they must operate at a double disadvantage: they cannot manage risk effectively and yet must do battle in an international market with competitors who can. Put differently, they lack autonomous power over the terms and consequences of engagement in the international division of labour. While this suggests the need for economic diversification, however, the production characteristics of mineral extraction produce a pattern of state-society relations that

reclude it. Since the state is the 'funnel' through which mineral revenues pass, control of the state (and allocation of 'national' wealth) is the prize in the political contest. And those best positioned to win it are the mine unions and mining technocrats who man and manage the core of the economy. Thus, despite the extraordinary resources mineral extraction gives 'funnel states', they lack sufficient autonomy from mineral sector interest groups to implement the diversification strategies needed to improve their prospects internationally and promote development at home.

My presentation proceeds in three parts. The first explores the essential characteristics of the international mining sector, the specific characteristics of the international markets for bauxite, copper, iron ore and oil, and the implications of both for corporate and country producers. The second examines the domestic consequences of mineral industry dependence and, in particular, the characteristic politics of the 'funnel state'. The third summarises the evidence that these four countries' developmental problems and inability to diversify result from mineral sector dependence. Then, to put these cases in perspective, it sketches the essential features and consequences of engagement in another sector: non-vertically integrated manufacturing.

Characteristics of mineral production

The nature and requirements of mineral extraction pose unavoidable challenges to all comers, corporations and countries. The sector is marked by high uncertainty, costs and risks, and so, too, by an emphasis on risk management mechanisms. Though different types of producers may have different intentions and capabilities, their mastery of these determines their success and the profitability of the industry as a whole. Thus, before discussing specific minerals and their producers, it is essential to review the characteristics of mineral production that give the sector its peculiar structure.

The difficulties begin before production, since 'The extent, rigour and cost of the preproduction activities in mineral resource development . . . are far in excess of those required for the development of other industries.'⁸ Exploration costs are high and rising. In the early 1970s, for example, the location of new nonferrous mineral

⁸ Rex Bosson and Benison Varon, *The Mining Industry and the Developing Countries*. New York: Oxford University Press, 1977, pp 26, 31-2.

deposits cost \$200,000 to \$500,000 per discovery. Of these only 2 per cent were deemed worth exploiting.⁹ (And, note industry experts, 'No matter how thorough an exploration programme, it is not possible to define an ore body sufficiently to assure viability' when production begins.¹⁰) The costs of production and processing facilities are no less daunting. In 1951, for example, new copper capacity (mine, smelter and refinery) cost \$1,300 per ton of annual production and the expansion of existing capacity \$900 per ton. By 1970, costs had reached \$3,000 and \$2,000 per ton respectively, and by 1979 as much as \$6,000 to \$8,000 per ton for new projects.¹¹ Other minerals show similar developments, and the trend is likely to continue. (Indeed, even excluding exploration costs, total capital requirements for the 1980s may be 50 per cent more a year than in the 1970s.)¹² Furthermore, mineral production offers large economies of scale, such that the minimum economic size (MES) operation may be \$500 million and more.¹³

Apart from size, what makes mineral investments problematic are the long lead times and resultant uncertainties about price and demand. A large mining project may require eight to ten years before the first ton of ore is processed and another ten to fifteen years before it shows a profit.¹⁴ Thus, huge sums must be 'sunk' on the basis of 15–20 year projections of price and demand—a period which may include two or three recessions, major technological changes, new ore finds, etc. These are critical because the size of fixed costs make it imperative for facilities to operate at near full capacity virtually irrespective of prevailing prices. Consequently, mineral supplies tend to be inelastic: production cannot be rapidly increased when demand surges, nor decreased when it slumps. The result is the familiar boom-and-bust cycle of mineral prices.

These features explain the mineral sector's strong tendency towards oligopoly and its consequences. Oligopoly is a market structure in which a few firms produce a standardised product under conditions of high market interdependence, ie, a market in which the investment,

⁹ James H Cobbe, *Governments and Mining Companies in Developing Countries*, Boulder, Colorado: Westview, 1979, p 12.

¹⁰ *Mining Magazine*, cited in *ibid*, p 129.

¹¹ UN Center on Transnational Corporations, *Transnational Corporations in the Copper Industry*, New York, 1981, p 18.

¹² Bosson and Varon, *The Mining Industry and the Developing Countries*, pp 19–20.

¹³ Raymond Mikesell, *Foreign Investment in Copper Mining*, Baltimore: Johns Hopkins University Press, 1975, p 24. For a discussion of economies of scale in mineral extraction, see Walter Labys, *Market Structure, Bargaining Power, and Resource Price Formation*, Lexington, Massachusetts: D C Heath, 1980, pp 27–8.

¹⁴ Bosson and Varon, *The Mining Industry and the Developing Countries*, p 30.

production and pricing decisions of any one firm affect the market and other producers. What makes an industry an oligopoly are high barriers to entry, and in the mineral sector they are high, indeed: few possess the know-how to find ore bodies, capital and managerial expertise to extract them, or organisation to mesh production and distant markets. Oligopoly has two faces: the alluring visage of profits and the darker one of self-destructive competition among economic giants. For, on the one hand, oligopoly allows oligopolists to extract 'monopoly rents' from consumers and so earn higher than 'normal' returns (higher, that is, than can be earned in a competitive market). Conversely, oligopoly involves great risks, since oligopolists' size and that of their investments make unrestrained competition devastating. Thus, oligopoly poses two challenges to oligopolists: as an industry, how to manage twin threats to profitability, new entrants and price competition; and, as individual producers, how to manage the risk inherent in high fixed costs and volatile prices. These explain the importance of horizontal integration, vertical integration and joint ventures in the mineral sector: they are the risk management mechanisms upon which producer and industry depend.

Horizontal integration

The requirements of oligopoly management pose a serious collective action problem. In fact, notes John Stuckey,

The classic problem confronting the firms in an oligopolistic industry is to achieve individual and collective rationality. Individual rationality requires that the individual firm perform as well as it can for itself . . . Collective rationality requires that group imposed constraints be managed to optimise the group's performance . . . (T)his amounts to the group's ability to define and maintain the collectively optimal set of competitive strategies, and to adjust the set following exogenous disturbances.¹⁵

In the mineral sector, the strategic variables requiring coordinated action are capacity additions, capacity utilisation rates, and pricing policies. Success means more stable prices, a degree of market predictability, and hence some certainty in planning large investments. Failure means a cost investment race resulting in over-expansion and the loss of monopoly rents.

Horizontal integration refers to oligopolists' efforts to manage their collective action problem in order to stabilise supply and prices.

¹⁵ John A Stuckey, *Vertical Integration and Joint Ventures in the Aluminum Industry*. Cambridge: Harvard University Press, 1983, pp 187-8.

Producers attempt to coordinate investment and capacity utilisation rates to avoid gluts and prolonged periods of depressed prices. No less important, they seek to avoid shortages and high prices. For, as Theodore Moran observes, 'no oligopoly that faces any possibility of dilution or substitution can exercise all the market power it possesses all the time. It must maintain some delicate balance between the strength that it has to demand "high prices" in the short run and the restraint it must show to keep that strength in the long run.'¹⁶

To achieve these ends, oligopolists have tried everything from *ad hoc* consultations to formal cartels. The success of their efforts turns on the characteristics of specific mineral markets and will be discussed below.

Vertical integration

Vertical integration is the essential means by which individual firms cope with high costs, risks and oligopolistic competition. Of particular concern in the mineral sector are market power shifts due to the short-run inelasticity of supply and demand. Because producers must operate at near full capacity, production cannot be cut back during demand slumps and periodic gluts are unavoidable. Under these circumstances, large buyers 'can force the producer to sell well below the high average cost needed to depreciate all the capital invested in mining, smelting and refining. To insure himself of an outlet and avoid the necessity of pricing down to the low variable cost, the producer will make a defensive investment "downstream"'.¹⁷

Similarly, production cannot be increased to meet demand surges or replace supplies lost due to mine disasters, strikes, etc, and periodic shortages are unavoidable. Thus, users need assured supplies and have a strong incentive to make defensive investments upstream.¹⁸ Put differently, vertical integration allows sellers and buyers to cover their core market and supply requirements, while shifting the risky, variable portions of each to others.¹⁹

¹⁶ Theodore Moran *Multinational Corporations and the Politics of Dependence* (Princeton: Princeton University Press, 1974, p 17.

¹⁷ *ibid.* pp 38–40.

¹⁸ *ibid.* pp 49–50. For discussion of the incentives for vertical integration in the aluminium industry, see Stuckey, *Vertical Integration*; for copper, iron and oil, see Raymond Vernon, *Two Hungry Giants: The United States and Japan in the Quest for Oil and Ores*, Cambridge: Harvard University Press, 1983, chapter 2.

¹⁹ Dennis W Carlton, 'Vertical integration in competitive markets under uncertainty,' *The Journal of Industrial Economics* 27(3) March 1979, p 207.

Vertical integration offers other advantages. First, although there are off-setting organisational costs, vertical integration reduces the transaction costs incurred in arms-length sales and simplifies conflict resolution. Second, firms gain low-cost information which lowers uncertainty, allows more precise planning and permits rapid adjustments to changing supply and demand.²⁰ The 'joint profit-maximisation' made possible by vertical integration 'leads to a higher output rate and to higher industry-wide profits, a privately and socially superior state of affairs.'²¹ Finally, since the collapse of the Bretton Woods system in 1973, transnational vertical integration has allowed firms to internalise foreign exchange rate shifts.

Producers may meet these challenges by other means, but they are inferior. One such way of managing transaction costs, market power shifts and price volatility is 'informal integration'. As Moran explains in the case of copper,

The participants agree, implicitly or explicitly, to trade in regular patterns with each other over long periods of time, and pay a premium or accept a discount from the open market price at various stages of the business cycle. . . . Thus, in periods of heavy demand, major copper producers become, in effect, allocators or rationers of scarce, low-priced copper, which they sell to their regular customers on the basis of historical buying patterns. The cost of this loyalty is later extracted from the fabricators or consumers in periods of slack demand when they must forgo the temptations offered by low prices in the open market and pay the producers' price instead.²²

Such ties serve a purpose, but offer little protection when they are most needed—and the temptation to break them is strongest. Similar problems plague the other alternative to vertical integration, long-term contracts. As Raymond Vernon and Brian Levy note, these possess a 'certain utility', since

By reducing the needs of buyers and sellers continuously to search for new partners, they hold down transaction costs and limit the costs of technical adjustments that are associated with changes in the sources of ore. But they do little to achieve another objective of ore-exporting and ore-importing enterprises, that is, the reduction of uncertainties associated with changes in supply, demand, and price.²³

²⁰ Oliver Williamson, 'The vertical integration of production: market failure considerations', *American Economic Review* 61(2) 1971, pp 113–14

²¹ Stuckey, *Vertical Integration*, p 66.

²² *Politics of Dependence*, p 51.

²³ Raymond Vernon and Brian Levy, 'State-owned enterprises in the world economy: the case of iron ore', in *Public Enterprises in Less Developed Countries*, LeRoy P Jones (ed), New York: Cambridge University Press, 1982, p 178.

Indeed, such contracts generally deliver less than promised since 'the security is neither long-term nor of equal value to the partners.'²⁴ Thus, it is not surprising that where possible vertical integration, or a variant, joint venturing, remain the strategy of preference in the mineral sector.

Joint ventures

Joint ventures, the co-ownership of facilities by two or more firms with other, independent operations, serve important functions for oligopolistic industries and individual firms within them. Joint ventures allow oligopolies to achieve the 'collective rationality' necessary to defend monopoly rents, contain competition and fend off new entrants. First, they allow single firms and the industry as a whole to escape the dilemma posed by large economies of scale: that is, how to avoid over-expansion without building high unit cost, less than MES facilities. In fact,

A series of appropriately timed joint ventures allows the simultaneous achievement of (1) efficient-scale plants, (2) capacity growth commensurate with demand growth on an *industry* level, (3) capacity growth commensurate with growth of outlets on a *firm* level, and (4) approximate maintenance of the status quo for market shares.²⁵

Second, joint ventures reduce the number of truly independent firms in an industry so reducing the problems of coordinating and monitoring their actions. Third, they let 'competitors' collude by requiring the sharing of information about investment plans, capacity utilisation rates and prices. Furthermore, through joint ventures firms 'homogenise' their production cost structures and risk profiles, thus also 'homogenising' their needs, expectations and outlooks. This, in turn, eases oligopolistic coordination 'by prompting a consensus on collective rationality.'²⁶ Finally, joint ventures allow control of new entrants through co-option. Indeed, joint ventures with would-be challengers let oligopoly members increase their hegemony by gaining 'an input into the location and production decisions of more new capacity than they otherwise would have.'²⁷

Joint ventures offer individual firms an equally wide array of benefits. First, they make huge projects divisible. This reduces companies' risk

²⁴ Bosson and Varon, *The Mining Industry and the Developing Countries*, p 142.

²⁵ Stuckey, *Vertical Integration*, pp 154-5.

²⁶ *ibid.* pp 188-9.

²⁷ Dani Rodrik, 'Changing patterns of ownership and integration in the international bauxite-aluminium industry', in *Public Enterprises in Less Developed Countries*, *op cit*, p 207.

exposure in any given project, while it lets them participate in several different ones, and so achieve broader diversification than they could afford alone. Second, joint ventures allow firms to overcome the problem of the mismatch of MES operations at different stages of production. Third, they improve firms' standing in capital markets, because investors recognise them as 'vehicles for inefficient vertical integration, improved oligopolistic coordination, and efficient intangible asset exchange', and because they recognise the real economies associated with investment in MES operations made possible by joint ventures. Thus, joint ventures 'relieve the capital cost penalties and quantity rationing that the capital market imposes upon projects that are highly risky, require large amounts of capital, or both.'²⁸ Fourth, joint ventures give access to technical and managerial know-how that might otherwise be unavailable or costly to develop internally.²⁹ Similarly, joint ventures with local partners provide access to information about new business and political environments.

Third World producers

It is in this sectoral setting that the policies and prospects of Third World mineral producers must be evaluated. The first observation to be made is that a focus on multinational corporations (MNCs) and rationalisation is misplaced, and the sharply drawn opposition of MNCs and host countries is false. This is not to deny the impact of mining multinationals or tensions between countries and corporations. Both are real and well documented. But the differences are *distributional*. The parties may contest what is a 'fair' split of the proceeds, yet they share identical needs imposed by the sector itself: collectively, how to manage the oligopoly to maintain high and stable profits; and individually, how to manage the threat of catastrophe. Thus, if the question is whether LDC mineral producers can advance their standing in the international division of labour, then at issue is whether they can meet the sector's collective and individual challenges.

Put differently, the question is whether Third World producers can develop alternatives to corporate horizontal and vertical integration and joint ventures. The short answer is no, and thus their prospects are not good. Countries have taken control of their natural resources, but this and the resulting deconcentration of production have had

²⁸ Stuckey, *Vertical Integration*, pp 183-4 and 170.

²⁹ *ibid*, pp 162-7.

unfortunate consequences. For although the mineral industry organisation changed,

their technical characteristics did not. They remained highly capital-intensive industries, with high fixed costs and low variable costs, whose enterprises therefore were unusually vulnerable to small variations in output levels. decline in the degree of vertical integration of these industries increased exposure of buying and selling firms to such variations. At the same time although the producers and users of these various ores were no longer so numerous in numbers to allow for effective stabilisation schemes, neither were they yet so numerous as to offer the promise of an efficient open market.

Consequently, the effort has undermined producers' interests by impeding collective rationality, reducing profits, aggravating price volatility and eliminating the means of managing risk.

Third World mineral producers have, of course, paid a high price because of MNC retaliation. In the 1970s and early 1980s, MNCs sharply reduced investment in LDC resources, and instead developed deposits in 'safe' areas where they did not risk expropriation. Deprived of investment and unable to finance new operations with retained earnings because of increases in cost and MES, countries borrowed. The size and riskiness of these loans led banks to charge high interest premiums, shorten loan maturities, require lower loan to equity ratios, and demand involvement in planning and managing operations.³² As a result, countries must accept heavy debts and repayment schedules insensitive to mineral price fluctuations, national creditworthiness to the volatile fortunes of the mineral sector, tailor national priorities to lenders' requirements, and (in small states) 'subordinate virtually all . . . other development objectives to accommodate the . . . needs of a big mining undertaking.'³³ By the same token, although international engineering, management and market firms offer the technical and organisational expertise once provided

³⁰ Vernon, *Two Hungry Giants*, p. 50.

³¹ C. Fred Bergsten testimony to the US Senate Committee on Foreign Relations, Subcommittee on Foreign Assistance, 'OPIC Authorisation,' *Hearings*, 95th Congress, 1st Session, 27 July 1977, pp. 14-15, *Optima* 28(3) August 1979, p. 153, and Michael Tanzer, *The Race for Resources: Continuing Struggles over Minerals and Fuels*, New York: Monthly Review Press, 1980, p. 1. For investment shifts in specific minerals, see Wolfgang Glusche, Joseph Shaw and Ben Varon, *Copper: The Next Fifteen Years*, Boston: D. Reidel, 1979, p. xxix; Tanzer, p. 1 (bauxite), and Steven Schneider, *The Oil Price Revolution*, Baltimore: Johns Hopkins University Press, 1983, pp. 358, 524-5.

³² See Dorothea Mezger, *Copper in the World Economy*, New York: Monthly Review Press, 1979, p. 220; Marian Radetski and Stephen Zorn, *Financing Mining Projects in Developing Countries: United Nations Study*, London: Mining Journal Books, 1979, p. 84, and the UN Panel of Experts International Mining Finance report, cited in *ibid.*, p. 131.

³³ *ibid.*, pp. 71-2.

the MNCs, their services are costly and often of indifferent quality. And the MNCs still control exploration for new ore bodies and thus future development.

Though important, these problems are not determinative. Over time, they can be reduced to relative insignificance. Not so the constraints faced by Third World states because they are unintegrated producers in a vertically integrated sector and are national producers in a corporate environment. In each instance, either they cannot respond to sectoral requirements, or can employ only second-best means of doing so.

Individually, LDC producers' difficulties arise unavoidably because they are unintegrated producers. Where MNCs can 'homogenise' ore grades and production costs with investments in several areas, national producers must make do with the national endowment. Similarly, where MNCs can 'internalise' the threat of substitution by producing other minerals or synthetics, very few national producers can pursue either course. And where MNCs can 'internalise' exchange rate fluctuations, national producers cannot. But most important, unintegrated producers are exposed to all the risks of an unstable oligopolistic market. Without secure markets, they suffer the full impact of supply gluts. Furthermore, because MNC vertical integration stabilises supply and demand in much of the market, the volatility of the thinner unintegrated portion by national producers is even greater.³⁴ The only solution is long-term contracts, but as already noted, these have limitations, especially as a risk management mechanism.

Together, Third World mineral producers face the double challenge of oligopoly: how to earn monopoly rents and avoid competition. Their preferred response is the 'producer association', a hybrid intended to offer the market control of horizontal integration and the coordination enhancing features of joint ventures.³⁵ The history of such efforts is one of failure, however;³⁶ and in the management of capacity expansion, capacity utilisation and pricing, national producers confront an even more intractable collective action problem than the MNCs.

The success of a producer association depends in part on commodity specific economic variables, but mainly on political ones. As for the former, producer associations' ability to sustain 'high' prices depends on

³⁴ See Roderik, 'Changing patterns,' p 208.

³⁵ Stephen A Zorn, 'Producers' associations and commodity markets. the case of CIPEC', in *Stabilising World Commodity Markets*, F Gerald Adams and Sonia A Klein (eds), Lexington, Massachusetts: D C Heath, 1979, pp 216-19.

³⁶ Robert Pindyck, 'The cartelisation of world commodity markets', *American Economic Review*, Papers and Proceedings, May 1979, p 154.

the share of the world market supplied by member countries; elasticities of world demand, supplies from non-member countries, substitutes; the structure of the market (or degree of concentration at different stages of production); the size of stockpiles; and the cost of commodity relative to final product sales prices.³⁷ As for the latter, notes Sir Ronald Prain,

The producers must have common objectives and to a large extent political unity. They must have production costs which do not vary greatly from country to country; and they must have similar marketing arrangements. . . . There must be strict discipline in the observance of cutbacks and, ideally, only a small number of people employed in the productive industry. Finally, the producer countries should have the ability to forgo some revenue if their cutbacks lead to reduced consumption.³⁸

The former indicate the possibility of producer association succeeding, the latter whether they actually do so.

Unfortunately, success is elusive for reasons obvious to any student of collective action. The problems are greatest when producer associations are most needed or most successful, because then the interests of one member are best served by cheating. In good times of tight supply and high prices, each member is tempted to up production and shirk prices to increase market share. In bad times of excess capacity and declining prices, all are also tempted to raise production and cut prices to offset lower earnings with higher volumes or simply hold on to market outlets. In each case,

The fear that the breakdown of the cartel will make everyone worse off is a sufficient deterrent to prevent the breakdown, for any one member, in such cases rightly, believes that the threat of breakdown comes from others. The defensive response of each member, however, has the same effect as aggressive undermining by defectors.³⁹

Resistance to these pressures depends on the ability to impose sanctions sufficient to overcome individual member's impulse to cheat. It is in this regard that national producer associations are disadvantaged by comparison to corporate cartels.

That countries collude less successfully than companies is

³⁷ Adopted from Raymond Mikesell, *Nonfuel Minerals: US Investment Policy Abroad*, Berkeley: Sage, 1975, p. 28.

³⁸ Sir Ronald Prain, 'Metals and Africa: economic power in an international setting,' *African Affairs* 77(307) April 1978, p. 243.

³⁹ Paul Streeten, 'Bargaining with multinationals', *World Development* 4(3) March 1976, p.

unavoidable consequence of national, not corporate control of production. As Raymond Vernon observes,

Instead of being able to concentrate on the common objective of high and stable profits, as a group of private oligopolists from different countries are often in a position to do, the state-owned enterprises are likely to find their ability to cooperate affected by the differing situations of their respective governments.⁴⁰

States desire national development, and aggressive efforts to increase production are often the only means available to generate funds for it. Such policies kill collusion, however. By the same token, states must consider mineral sector employment, the sector's links to support industries, and its contribution to government revenues, foreign exchange earnings and debt service. Since all of these suffer with falling demand, there are strong political pressures to cut prices to keep production and capacity utilisation from falling too far. Again, however, such measures kill collusion. Finally, attempts to establish joint ventures among national producers to capture the benefits they offer MNCs have come to naught because of differences over which country would get the projects. In sum,

the increasing role of state-owned enterprises in many raw materials industries suggests that market prices will be more volatile. . . . The increased number of firms in the market, coupled with the increased diversity of their interests arising out of the fact that they are state-owned . . . tend to reduce the probability that managed markets will prevail.⁴¹

Bauxite, copper, iron ore and oil

All mineral producers operate in this sectoral environment, but to understand the prospects of Guinea, Liberia, Nigeria and Zambia also requires understanding the markets for the specific minerals they produce. In each concentration has declined sharply as LDC producers have taken control of their natural resources. The change is obvious in oil where the seven majors' portion of crude ownership fell from 98.2 per cent in 1950 to 23.9 per cent in 1979.⁴² In bauxite production, the Herfindahl index fell from 0.266 in 1950 to 0.126 in 1973; in copper ore from 0.100 in 1950 to 0.046 in 1980; and in iron ore, from 0.047 in 1950 to

⁴⁰ 'State-owned enterprises in Latin American exports,' *Quarterly Review of Economics and Business* (21) Summer 1981, p 106.

⁴¹ *ibid.* p 111.

⁴² Brian Levy, 'World oil markets in transition,' *International Organisation* 36(1) 1982, p 117

0.043 in 1979.⁴³ To analyse the implications of these changes for producers, the following sections outline the aluminium, copper, iron and oil industries under three basic headings: their 'natural' characteristics; the means by which firms have managed the challenges they pose; and LDC producers' chances of doing the same.

Bauxite

The aluminium industry has always been highly concentrated and is still controlled by just six vertically and horizontally integrated MNCs. This concentration results from high capital costs, low rates of return on investment, large economies of scale, and high know-how requirements.⁴⁴ For bauxite producing countries, the problem is that the critical barriers to entry lie downstream beyond their control. There are relatively few commercially viable bauxite deposits and their exploitation involves large-scale operations (\$500 million and up).⁴⁵ Still, bauxite accounts for just 10 per cent of total production costs, while 60 per cent are located at the reduction/refining stage.⁴⁶ It is here, too, that the scale, capital cost and know-how barriers are highest.⁴⁷ Moreover, the location of alumina and aluminium operations is determined not by location of bauxite supplies, but by the availability of cheap electricity, developed countries' national security concerns, and MNC concerns about expropriation. Finally, because aluminium demand is variable and sensitive to price changes, firms with the huge fixed investments necessary in the industry are vulnerable to market power shifts.

Given these conditions, the aluminium MNCs have been unremitting in their efforts to control the market. Individually, each has pursued risk management through vertical integration from bauxite to the consumer. Consequently, 'there is no such thing as a free-market world price for

⁴³ The Herfindahl index is the 'standard measure of industry concentration based on global output or global capacity of the individual firms producing in the indicated industry: when concentration in the industry declines, the index falls.' Vernon, *Two Hungry Giants*, pp 48-9, figures, pp 133-4. M A Adelman's oil industry figures show a Herfindahl of 0.2039 in 1950 declining to 0.1046 in 1969. *The World Petroleum Market*. Baltimore: Johns Hopkins University Press, 1972, p 81.

⁴⁴ Cobbe, *Governments and Mining Companies*, pp 26-9 and Martin Brown and John Butler, *The Production, Marketing and Consumption of Copper and Aluminium*, New York: Praeger, 1968, p 145.

⁴⁵ Australia, Guinea and Brazil account for 50 per cent of exploitable sites. This portion is likely to grow with exploration. Stuckey, *Vertical Integration*, p 10. For costs, pp 12-14.

⁴⁶ Brown and Butler, *Copper and Aluminium*, p 5. See Labys, *Market Structure*, p 135 for a recent cost breakdown.

⁴⁷ Stuckey, *Vertical Integration*, pp 14-17, 78.

bauxite or alumina', and there is a 'massive excess capacity' in semi-fabrication, the result of firms' search for secure outlets.⁴⁸ Collectively, the MNCs have sought risk management and price stability through joint ventures and cartel-like organisations. (By 1979 joint ventures accounted for 66 per cent, 51 per cent and 35 per cent of world bauxite, alumina and aluminium production respectively.)⁴⁹ The resultant consortia structure of the industry makes possible the European Aluminium Producers' Association and the International Primary Aluminium Institute's successful efforts to manage capacity expansion and utilisation rates, and keep excess metal off the market.⁵⁰ Finally, the majors are helped by their small numbers and control of proprietary technology.⁵¹

As a result of the MNCs' successful oligopoly management, the aluminium industry is a model of stability in the often chaotic mineral sector. Prices have varied little and there has been little deconcentration. The number of state-owned bauxite and alumina producers has increased, but virtually all of these are joint ventures with an MNC such that 'their strategic roles in the industry are insignificant, because in an industry-wide strategic sense, they are controlled by the multinational major partner.'⁵² Indeed, with no alternative markets for bauxite or alumina, even independent firms behave as they did before.

The strength of the MNC oligopoly offers bauxite producers benefits, but imposes serious constraints. Thus, bauxite producers enjoy an uncommon stability of earnings because of the oligopoly's success. They have also been able to raise prices substantially, in part because bauxite represents such a small portion of total aluminium production costs, but largely because the oligopoly's strength allows greater flexibility than is the case in other minerals. Conversely, the cartel's strength and inter-producer differences block sustained producer gains.

These problems show best in the International Bauxite Association's⁵³ refusal to attempt cartel action. Despite controlling almost 75 per cent of the world's bauxite, IBA members are sensitive to the essential vertical links connecting their production to distant

⁴⁸ *ibid.* p 5, and Brown and Butler, *Copper and Aluminum*, p 73

⁴⁹ Stuckey, *Vertical Integration*, p 150.

⁵⁰ Zuhayr Mikdashi, 'Aluminium', in *Big Business and the State: Changing Relations in Western Europe*, Raymond Vernon, (ed) Cambridge: Harvard University Press, 1974, pp 185-9

⁵¹ Brown and Butler, *Copper and Aluminum*, p.143.

⁵² Stuckey, *Vertical integration*, p 193.

⁵³ The IBA was formed in 1973. Its members are Australia, the Dominican Republic, Ghana, Guinea, Guyana, Haiti, Jamaica, Sierra Leone, Surinam and Yugoslavia.

smelters. Thus after four years of negotiation, the IBA gave up efforts to establish a common pricing formula and settled for an agreement to disagree.⁵⁴ In part this reticence grew out of fear of expanding supplies from non-member countries and the threat posed by recycling. In large measure, however, it reflected the fear engendered by the experiences of Guyana, Jamaica and Surinam who raised taxes and royalties unilaterally. Each has seen its share of investment and world production decline sharply, while Australia and Guinea, the 'safest' sources of bauxite (and both IBA members), have expanded their investment and market shares, despite higher transportation costs.⁵⁵

Guinea has benefited and suffered from its position in the aluminium industry. On the one hand, it has reaped the benefits of the stable and, until 1981, steadily increasing bauxite prices made possible by tight

Bauxite price index⁵⁶
(1980 = 100)

1965	70	71	72	73	74	75	76	77	78	79	80	81	82	83
15	20	23	25	29	34	59	55	64	65	72	100	102	98	85

oligopoly management. Moreover, it has also attracted new investment from MNC producers seeking safe alternatives to Caribbean sources of bauxite, and from cash and energy rich Middle Eastern countries seeking supplies of bauxite and alumina for planned aluminium smelters.⁵⁷ Conversely, successful oligopoly management by the majors and Guinea's incorporation into the market via joint ventures with dominant MNC partners means that Guinea exercises little autonomous control over its resources, its position in the aluminium industry or, by extension, in the international division of labour.

Copper

The copper industry differs from the aluminium industry—but not for the better. True, the highest barriers to entry are at the mining stage, thus giving the LDC copper producers an advantage over bauxite producers. These barriers to entry are not high, however, and the

⁵⁴ Vernon, *Two Hungry Giants*, pp 51-2.

⁵⁵ Isiah Litvak and Christopher Maule, 'The International Bauxite Agreement: a commodity cartel in action,' *International Affairs*, Spring 1980, pp 306-7.

⁵⁶ International Monetary Fund, *International Financial Statistics Yearbook*, 1984, Washington DC, 1984.

⁵⁷ *Africa Record* 20(2) (March-April 1975), 21(6) (November-December 1976), 22(2) (March-April 1977), 25(3) (May-June 1980) and *Africa Confidential* 22(17) (19 August 1981).

copper industry is a 'homogeneous oligopoly with a relatively large competitive fringe' over which the majors exercise only a 'limited domination'.⁵⁸ As a result, producers compete in a high fixed cost industry without even the limited stability offered by a tighter oligopoly. (Indeed, the price volatility of copper is among the highest of any commodity).⁵⁹ The difficulty is that in the short run, the elasticity of supply is low, but the elasticity of demand is high, such that demand shifts produce sharp price and market power shifts.⁶⁰ In the longer term, however, the elasticity of supply is large because copper ore is widely distributed, there are ready substitutes and a large secondary market. Thus, though price booms occur, copper offers no prospect of sustained high prices, but instead periodic busts.

The copper MNCs have been obsessive, and unsuccessful, in their efforts at oligopoly management. Individually, firms have pursued vertical integration, but because of low barriers to entry at all stages of production have achieved little security. Moreover, because mining is the critical stage of production, the copper MNCs have been less able than the aluminium majors to retain market control in the face of nationalisation. They have developed new sources of supply, but since they control few market outlets, the new production merely depresses prices throughout the industry. They have even tried diversification via joint ventures in the aluminium industry, but still in recent years virtually all have been bought by outsiders. Collective efforts have been no more successful. As for prices, 'No scheme yet propounded has introduced a long-term measure of price stability, at reasonable prices, into the copper industry. Indeed, most collusive agreements have retreated into acrimony and disbandment, only to be followed by damaging slides in the copper price.'⁶¹

Through interlocking directorates, joint ventures, debt financing linkages, and sales agency agreements, private producers and consumers have achieved limited coordination.⁶² These have damped the worst effects of demand and price volatility, but no more.

⁵⁸ Labys, *Market Structure*, p. 42.

⁵⁹ Only zinc (30 per cent) and lead (29 per cent) surpassed copper, and neither is traded in volumes remotely approaching copper. Sir Ronald Prain, *Copper: The Anatomy of an Industry*, London: Mining Journal Books, 1975, pp 100-1.

⁶⁰ Labys, *Market Structure*, p. 83.

⁶¹ *Copper Studies* 1(20) 21 February 1974, p. 8. Cited in Karen Mingst, 'Cooperation or illusion: an examination of the Intergovernmental Council of Copper Exporting Countries,' *International Organisation* 30(2) 1976, p. 270.

⁶² David G Becker, *The New Bourgeoisie and the Limits of Dependency: Mining, Class, and Power in 'Revolutionary' Peru*, Princeton: Princeton University Press, 1983, pp 76-7

The trend toward dilution in copper is unmistakable. Since World War II, the oligopoly has expanded from seven to at least twenty major producers.⁶³ This dilution results from new ore discoveries, development of new technologies, backward integration into mining by refiners and fabricators, and investment in copper by firms mining other minerals. No less important, Peru, Chile, Zaire and Zambia (who account for 50 per cent of internationally traded copper) have nationalised their mines, adding four new, independent producers to the industry. Thus, where in 1948 the top seven (all private) controlled 70 per cent of world production, they controlled less than 50 per cent in 1977, and of this much came from state owned enterprises.⁶⁴

Deconcentration has hurt the producing countries. They profited from the price surge of the late 1960s and early 1970s, but since have suffered the lowest prices in fifty years. In part, low prices reflect low demand in the industrial economies. In large measure, however, the reasons 'clearly lie on the production side of the equation. . . . (P)roducers . . . have behaved in a short-sighted and highly disruptive manner—refusing to adjust production rates to consumer demands and creating a huge stock of surplus copper which has undermined the market.'⁶⁵

These difficulties derive from the nationalisations of the past decade. On the one hand, the loss of supplies led MNCs to seek new sources in 'safe' areas, adding to world-wide productive capacity despite falling demand. On the other, the new state-owned enterprises also increased production to generate government revenues, expand employment and service the debt incurred buying out the MNCs. Thus, the industry today adjusts 'less rapidly to price signals triggered by demand shifts, with over-production reflected in prolonged periods of relatively low prices.'⁶⁶

Producer countries have managed the risks of the copper industry even less well than the MNCs. Individually, they cannot reap the limited benefits of vertical integration enjoyed by MNCs, but instead occupy the unenviable position of unintegrated producers in an unstable market. Similarly, they cannot diversify into other metals. Collectively, producer country efforts at oligopoly management have also fallen short of the MNCs'. The Intergovernmental Council of Copper Exporting

⁶³ Moran, *Politics of Dependency*, p 32.

⁶⁴ *ibid*, p 30 and Becker, *Limits of Dependency*, p 353.

⁶⁵ *Engineering and Mining Journal* (19 March 1978), pp 69–70. See too, 'Copper: how long, oh lord?' *Forbes* (20 February 1978), p 49.

⁶⁶ Glusche, Shaw and Varon, *Copper*, p xxvi.

Countries (CIPEC) suffers the weakness of the copper oligopoly and the problems of coordinating state actors. Because of the one, even successful collusion holds no promise of sustained higher prices.⁶⁷ Indeed, 'Paradoxically, the stronger a cartel CIPEC can create . . . , the weaker its position will become', as higher prices encourage non-members to raise production, more scrap to enter the market, and substitution to diminish future demand.⁶⁸ On the other hand, differences among member countries limit the prospects for price stabilisation.⁶⁹ Low cost producers such as Chile resist production cutbacks to raise prices because even at prevailing prices they turn a profit. Countries such as Zambia that depend on copper export earnings cannot afford to reduce production, whatever the long-run benefits. Thus, the CIPEC countries

may have to finance their own national development out of highly fluctuating, highly unpredictable, and perhaps even declining real earnings. They may come to inhabit the worst of all possible worlds: a fast weakening international copper oligopoly, with themselves relegated to the position of a spill-over market on to which has been shifted the burden of market uncertainty and instability for the entire industry.⁷⁰

Zambia demonstrates the problems of unintegrated producers in the deconcentrating copper market. It has suffered the same price fluctuations as all other producers. But its actual experience has been even more unstable.

While Zambia's import bill almost doubled between 1970 and 1980,

Copper price index⁷¹
(1980 = 100)

1960	65	70	71	72	73	74	75	76	77	78	79	80	81	82	83
31	59	65	50	49	82	94	56	64	60	62	91	100	80	98	85

⁶⁷ John Markakis and Robert Curry, Jr., 'The global economy's impact on recent budgetary politics in Zambia', *Journal of African Studies* (3) Winter 1976-7, p. 413, and Kenji Takeuchi, 'CIPEC and the copper export earnings of member countries', *The Developing Economies* 10(1) March 1972, pp. 12-3.

⁶⁸ Moran, *Politics of Dependency*, p. 239. See Michel A. Amsalem, 'Bauxite, copper and oil: bargaining power and the economics of natural resources', *Columbia Journal of World Business* 19(1) Spring 1984, p. 23 and Dorothea Mezger, 'The European copper industry and its implications for the copper-exporting underdeveloped countries with special reference to CIPEC countries', in Ann Seidman (ed), *Natural Resource and National Welfare*, New York Praeger, 1975, p. 67.

⁶⁹ Since CIPEC's formation, copper prices have fluctuated more 'than in any comparable period in the industry's history', Prain, *Copper*, pp. 251-2.

⁷⁰ Moran, *Politics of Dependency*, p. 241.

⁷¹ IMF, *Yearbook*, 1984.

Copper volume, unit value and mine production indices⁷²
(1980 = 100)

	65	70	71	72	73	74	75	76	77	78	79	80	81	82	83
1)	122	123	114	128	120	121	115	134	120	106	117	100	99	111	103
2)	28	55	39	38	58	69	41	51	54	56	77	100	88	78	NA
3)	111	111	104	114	112	117	106	116	108	107	97	100	92	96	NA

export earnings in 1980 were below the 1970 figure.⁷³ Government revenues from copper fell precipitously during the same period, coming to rest at zero in 1978,⁷⁴ and the rate of GDP growth (of which copper is the dominant element) fluctuated between +9.8 per cent and -13.7 per cent per year.⁷⁵ There has been virtually no new investment in copper nor any major mine maintenance or renovation, despite serious problems. Indeed, while copper investment in 'safe areas' such as the Philippines, Namibia, Australia and Canada has exceeded the recent Western average, investment has fallen in Zambia.⁷⁶ Direct control of copper production has proved a Trojan horse, as Zambia is today subject to amplified versions of the risks of the copper industry with still fewer means of managing them than before.

Iron ore

International trade in iron ore is quite new. The existence of quality ores in Europe and the US, plus high transportation costs meant that until the 1950s most steel mills were supplied by local mines. Three changes transformed this pattern. First, new steel producers without domestic sources of ore (notably Japan) took important positions in the industry. Second, traditional steel producers exhausted high-grade domestic sources of ore. Third, and making a shift in supply possible, shipping costs tumbled.⁷⁷ Australia has been the greatest beneficiary of these changes, but LDC iron ore production has grown, too, from 12.2 per cent of world output and 36.4 per cent of world exports in 1955 to 30 per cent and 45.6 per cent respectively in 1975.⁷⁸

Because of the structure of the steel industry, the rise in LDC ore production has not translated into equally great gains for producing countries. Even by mineral sector standards, iron ore operations are

⁷² *ibid.*

⁷³ *ibid.*

⁷⁴ Robert L. Curry, Jr 'Zambia's economic crisis: a challenge to budgetary politics,' *Journal of African Studies* 6(4) Winter 1979-80, p 215

⁷⁵ IMF, *Yearbook*, 1984.

⁷⁶ John Tilton, *The Future of Nonfuel Minerals*, Washington DC: Brookings, 1977, p 44.

⁷⁷ Vernon and Levy, 'State-owned enterprises', p 170.

⁷⁸ Cobbe, *Governments and Mining Companies*, p 35.

ensive. Mines average 10–15 million tons per year capacity (and go 50 million) at costs of \$75–125 (1975) per ton of annual production, so that new operations may cost \$1 billion and up. Moving this amount of ore also requires special rail and port facilities, which may add several hundred million dollars to the total.⁷⁹ Such costs mean foreign financial participation and often consortia financing by several companies and banks. At the same time, they make investors unwilling to consider new mines without assurance of secure markets. Steel-makers are no less dependent on their suppliers, since they too require high capacity utilisation, and ore constitutes one of the most important production costs.⁸⁰ Moreover, ores are not interchangeable. Once steel-makers chose a supplier, they are committed for the long term, while the supplier, too, has few other buyers.⁸¹ In sum, the steel industry, too, suffers an unstable balance between buyers and sellers in which market power shifts with supply and demand.

To cope with these risks, producers and consumers of iron ore have formalised virtually the entire market by one means or another. Additionally, the industry was organised in national cartels with steel companies in each country integrated backwards into mining. As trade increased, this pattern spread such that in 1960, more than 40 per cent of internationally 'traded' ore moved within firms, while another 19 per cent traded under long-term contracts (often to steel companies owning shares in the mine).⁸² This pattern altered as nationalisation stripped away captive mines, but the importance of long-term ties between suppliers and consumers remains. (There still is no arms-length market for iron ore.) Today these essential ties are assured through joint ventures (often with LDC partners) that guarantee supplies to investors, and long-term contracts of 20 years or more.⁸³ European and Japanese steel-makers boost the security provided by both with government-licensed joint participation in foreign mines and joint ore buying policies (which also aid oligopoly management).⁸⁴ Forbidden such

abys, *Market Structure*, pp 267–8. To put this in perspective, in 1972 gross domestic investment in Liberia was \$118 million—10 per cent of the cost of a new MES iron ore operation (p 182). Gerald Manners, *The Changing World Market for Iron Ore, 1950–80: An Economic Geography*, Baltimore: Johns Hopkins University Press, 1971, p 13.

Verdon, *Two Hungry Giants*, p 40.

Ian Smith, 'Long-term contracts for the supply of raw materials', in *Raw Materials and Pacific Integration*, John Crawford and Kiyoshi Kojima (ed), Vancouver: University of British Columbia Press, 1978, p 246. Of the remaining 39 per cent, much was sold under one-year contracts with annual renegotiation clauses.

Manners, *Changing World Market for Iron Ore*, pp 153–4 and 169.

See the 1977 UN report 'The maritime transport of iron ore', in Tanzer, *Race for Resources*, p 148–9.

strategies by anti-trust laws, American steel-makers have sought new captive mines in 'safe' areas to replace those lost through expropriation.

The changes have reshaped the industry's formal structure, but have not affected its fundamentals. The most visible change in the last decade is the appearance of state-owned mines which now account for more than 40 per cent of internationally traded ore.⁸⁵ Still, the level of concentration remains high: the four largest ore-exporting firms supply 53 per cent of all internationally traded ore and the four largest importers buy 69 per cent of it. Thus, the requirements of survival remain and, as Raymond Vernon and Brian Levy note, 'any given seller of iron ore, unless strongly linked to some specific buyers, is exposed to a high degree of market risk.'⁸⁶ Indeed, greater control of iron ore production has done little to up countries' profits or their say in the industry, and may have hurt both. Without ties to foreign buyers, State-owned enterprises may 'be less responsive than captive mines to both short-term and long-term changes in international ore demand' and in the event of changes 'may be slower to adjust production levels than their private counterparts.'⁸⁷ Yet because the MNCs have found new sources of supply, such adjustments are more essential today than in the past, lest unintegrated national producers glut a market in which they lack secure outlets. Producers have formed an Association of Iron Ore Exporting Countries, but it is no more than an information clearing house.⁸⁸ Widespread ore reserves and stagnant demand preclude efforts to raise prices, and differences among members block defence of a floor price.⁸⁹ Producer countries thus continue to have only limited prospects in an increasingly risky market.

Liberia demonstrates the costs and benefits of iron ore export dependence. By comparison to copper, iron ore prices have been relatively stable, though not as stable as bauxite prices.

Iron ore price index⁹⁰
(1980 = 100)

1965	70	71	72	73	74	75	76	77	78	79	80	81	82	83
58	56	49	47	63	70	84	82	79	71	86	100	90	96	88

⁸⁵ Vernon and Levy, 'State-owned enterprises', p 173.

⁸⁶ *ibid.*, p 177.

⁸⁷ *ibid.*, pp 182-3.

⁸⁸ Formed in 1975, its members are Algeria, Australia, Brazil, Chile, India, Liberia, Mauritania, Peru, the Philippines, Sierra Leone, Sweden, Tunisia and Venezuela.

⁸⁹ Tanzer, *Race for Resources*, pp 151-2

⁹⁰ IMF, *Yearbook*, 1984.

1 Liberia, rapidly rising export volumes during the 1960s and early 1970s (the result of new mine production) generated impressive returns. With the achievement of full production, however, exports and earnings have both stagnated.

Iron ore export volume and value indices⁹¹
(1980 = 100)

	1965	70	71	72	73	74	75	76	77	78	79	80	81	82	83
)	74	114	111	125	139	137	101	116	97	117	114	100	112	NA	NA
.)	NA	49	59	65	62	83	132	126	122	96	94	100	104	NA	NA

The resulting swings in Liberia's export earnings have produced fluctuations in GDP growth rates from +7.4 per cent to -15.1 per cent per year. Like Guinea, Liberia lacks the autonomous power to affect iron ore prices and/or prices and/or volumes. Unlike Guinea, however, Liberia experiences less price stability because of the relatively weaker structure of the market.

Oil

In oil there are barriers to entry and economies of scale in exploration, production, refining and marketing. Traditionally, the highest barriers have been located at the production stage, and those with access to crude have built vast reserves to deny supplies to potential competitors.⁹² Possession of cheap crude also makes downstream control easier.⁹³ As in other mineral industries, oil production and processing facilities involve large and lumpy investments which make secure market access essential, lest dips in demand force prices below the minimum needed to meet high fixed costs. Conversely, refiners and marketers of oil require secure supplies in times of high demand or shortages, lest they too be unable to cover costs. In short, in the oil industry as well, shifts in supply or demand may cause sharp reversals of market power.

Given high risks and potential profits, it is not surprising that the majors devote themselves to risk and oligopoly management. As for the first, individual firms internalised market power shifts by integrating from

¹ *ibid.*

² Fariborz Ghadar, *The Evolution of OPEC Strategy*, Lexington, Massachusetts: D C Heath, 1977, p 37 and Adelman, *World Petroleum Market*, p 100.

³ Levy, 'World oil markets in transition', p 115.

well-head to gas pump. They also diversified their sources of supply and markets to minimise the damage that might be inflicted by problems in any one. As high oil prices made other sources of energy attractive, they bought coal and uranium mines, and invested in solar power. And where the size and lumpiness of such investments might stymie single companies, joint ventures have made them possible. Moreover, these joint ventures also reduce the 'vulnerability of individual firms to the negotiating pressures of governments'.⁹⁴

Individual firm's ability to manage risk and profit hugely depended, in turn, on the collective ability to forge horizontal linkages for managing the industry as a whole. To exclude new entrants, prevent the dilution of profits, and contain competition and cheating, the majors established mechanisms for coordinating production, marketing and prices. Initially, they depended on formal agreements specifying company production quotas by areas and market shares by company, market, product and channel.⁹⁵ Policing compliance was made possible by *Platt's Oilgram* which published accurate production statistics and prices. Even after suspension of these agreements during World War II, the majors maintained oligopoly management through joint ventures in production, refining and marketing. By these means the majors retained control until the late 1960s when events largely beyond their control metamorphosed the oil industry.

Two forces lie behind deconcentration: the rapid post-war rise of demand for oil and the transformation of producing countries. Between 1950 and 1960 the rate of oil consumption increased 7.5 per cent per year, and between 1960 and 1970 8.0 per cent per year.⁹⁶ With such growth, the majors worried less about dilution. The barriers to entry fell as expanding markets enticed new firms to explore for oil, and expanding supplies led others to build independent refineries.⁹⁷ By the late 1960s, these 'independents' had markedly reduced the majors' control. But because they lacked a full panoply of risk management mechanisms, the independents were easy targets for countries seeking to increase their control of production and proved a good lever for shifting the structure of the industry as a whole.⁹⁸

⁹⁴ Vernon, *Two Hungry Giants*, pp 24-5.

⁹⁵ *ibid.* pp 20-1.

⁹⁶ Regaie el Mallakh, (ed), *OPEC: Twenty Years and Beyond*, Boulder, Colorado: Westview, 1982, p 2.

⁹⁷ Ghadar, *Evolution of OPEC Strategy*, pp 5-6 and 36-7.

⁹⁸ See Edith Penrose, 'The development of crisis,' in *The Oil Crisis*, Raymond Vernon (ed), New York: W W Norton, 1976.

This period also saw the culmination of two developments in producing countries. First, they began to exert their independence, particularly as it concerned the control of oil. Second, standardisation of production technology and a growing cadre of industry professionals meant they could run oil operations themselves. Thus, in the early 70s, market conditions favoured the holders of crude, the majors' ability to manage the industry was eroded, and for the first time the producing countries possessed the economic and political capacity to take over. Since then, they have asserted their control of production and 'nibbled away' at the majors' control of marketing, expanding direct sales of crude from just 8 per cent of internationally traded oil in 1973 to more than 40 per cent in 1980.⁹⁹

This transformation did not bring the expected benefits. To the contrary, notes Brian Levy, though it broke traditional patterns of vertical integration, it did not eliminate 'the pressures that had led to vertical integration in the first place. The imbalance between a market structure that generates an incentive for firms to integrate and a pattern of control that has made integration difficult to achieve, has added to the turbulence of world oil trade.'¹⁰⁰

The national producers, not the majors, have borne the brunt of the new instability, and precisely because they lack the capacity to take defensive measures. With diversified sources of supply, the majors could sustain a portion of their integrated system, and with control of markets they could broker the sale of OPEC oil. At the same time, they developed new, if expensive, sources of crude, the costs of which were made bearable by OPEC's success in raising prices.¹⁰¹ As a result of increased exploration efforts, OPEC's share of world oil production has fallen from its 1967 level of 67 per cent to 40 per cent today.¹⁰² With these new supplies, the majors have rebuilt much of their vertically integrated system and are again capable of internalising at least a portion of market risk. Not so the national producers who have been thrown back on OPEC.

OPEC has not been up to the challenge. Since its inception in 1960, OPEC has gathered information for members, and provided a forum

Levy, 'World oil markets in transition', p 113.

ibid., p 114.

In 1978, 48,513 wells were drilled in the US and just 2,668 in all non-OPEC LDCs combined, although on average, non-OPEC LDC wells yield 300 barrels per foot drilled and American wells only 15-20. Schneider, *Oil Price Revolution*, pp 358-9. For the slowdown in African exploration, see *Africa Confidential* 24(19) 2 September 1983 and 25(21) 17 October 1984.

Vernon, *Two Hungry Giants*, pp 34-5.

for debate and occasional decision-making. But it is incapable of the oligopoly management critical for success in the oil industry. The problem is that its member governments possess different needs and perspectives on collective priorities, and guard their sovereignty jealously. Thus, OPEC

does not set the prices that individual countries can charge for their crudes . . . has never controlled its members' production, nor . . . achieved an agreement on market shares. It has no mechanisms for detecting members who deviate from the reference price. . . . Nor can it impose sanctions on members who fail to keep the price of their crude in line with the prices of others.¹⁰³

Output and pricing decisions remain, notes Edith Penrose, 'firmly in the hands of individual national governments' so that 'OPEC as such has little influence on the price or supply of oil.'¹⁰⁴ As a result, individual countries face the market alone, a market over which they can exercise no effective control, but one now more fraught with risk than ever.

Nigeria demonstrates these problems as well as any country in the world. Like other producers, it has ridden the rapid rise, and since 1981, fall of world oil prices.

Oil price index¹⁰⁵
(1980 = 100)

1965	70	71	72	73	74	75	76	77	78	79	80	81	82	83
7	7	9	10	13	39	32	34	39	38	59	100	111	99	86

Nigerian oil production took off in 1968–70 with the end of the Biafran War. Export volume rose steadily until 1974 after which it has fluctuated erratically. Unit value increased from 1970 until 1980 after which it plunged with the international recession and oil glut.

Oil export volume and unit value indices¹⁰⁶
(1980 = 100)

	1965	70	71	72	73	74	75	76	77	78	79	80	81	82	83
1)	13	52	72	89	100	110	86	101	104	93	112	100	67	50	60
2)	5	5	7	8	11	32	34	36	41	40	59	100	108	99	84

¹⁰³ Schneider, *Oil Price Revolution*, p 4.

¹⁰⁴ Edith Penrose, 'OPEC's importance in the world oil industry', *International Affairs* 55(1) (January 1979), p 24.

¹⁰⁵ IMF, *Yearbook*, 1984.

¹⁰⁶ *ibid.*

resultant fluctuations in export earnings have led to wild changes in public revenues and other macroeconomic variables (GDP growth has varied between +30 per cent in 1970 to -5.7 per cent in 1981),¹⁰⁷ albeit at previously unimaginably high levels of aggregate national income. With the current glut in oil supplies, many buyers have taken long-term contracts for Nigerian oil, forcing Nigeria to discount oil and exceed OPEC production quotas to survive. At the same time, many oil companies have reduced exploration in preference of other areas.¹⁰⁸ Thus Nigeria, like Zambia, must live with the consequences of the collapse of oligopoly management: price and production instability.

State control vs diversification

Even in the poor prospects and high risks of dependence on mineral production, diversification is imperative for Guinea, Liberia, Nigeria and Zambia, and all four have declared it a priority. Yet in each case dependence is rising and alternatives declining. The reason is the structure of the mineral sector: it generates a characteristic form of the economic, social, set of interest groups, and pattern of state-society relations that preclude diversification, and exaggerate the worst consequences of mineral sector dependence.

In mineral economies the state is the money-maker, the funnel through which the proceeds of extraction are poured into national projects, the allocator of national wealth. Thus, it is not surprising that the fiscal regime applied to the mineral sector is a central concern in Guinea, Liberia, Nigeria and Zambia. Nor is it surprising that even where mineral MNCs have not been nationalised, these states have levied royalties and taxes to capture virtually all the profits, or have opted for joint venture deals giving them equity participation.¹⁰⁹ In

and.

Africa Confidential 22(12) 3 June 1981, 22(20) 30 September 1981, 24(8) 13 April 1983, 25(22) 1 October 1984, and *Africa Record* 26(4) July-August 1981.

Guinea has joint venture agreement with all the Western firms operating in the country. Lansiné Kaba, 'Guinean politics: a critical historical overview', *Journal of Modern African Studies* 15(1) (1977), p 38. Liberia holds 50 per cent of the equity in the Bong Mining, Liberian-American Mineral (LAMCO) and the National Iron Ore. Jerker Carlsson, *The Limits of Structural Change: A Comparative Study of Foreign Direct Investment in Liberia and Ghana*, pp 50-71, New York: Africana Publishing Company, 1981, pp 285-91. The Nigerian National Oil Company owns majority shares in all foreign oil companies in the country. Anthony Kirk-Greene and Douglas Rimmer, *Nigeria Since 1970: A Political and Economic Outline*, London: Hodder and Stoughton, 1981, pp 83-6. Zambia completed nationalisation of its copper industry in 1975. Cobbe, *Governments and Mining Companies*, pp 242-3.

doing so, each gained previously unimagined resources and raised expectations of the state as prime mover in a process of 'bonanza development'¹¹⁰ involving diversification through industrialisation financed with mineral sector revenue.

The mineral sector's role in Guinea, Liberia, Nigeria and Zambia is striking. Guinea is the third largest bauxite producer in the world and a major producer of alumina. Mining accounts for 96 per cent of export, and dominates the domestic economy and government revenues.¹¹¹ In Liberia, iron ore accounts for 70 per cent of total exports and, at least until 1973, accounted for more than a third of GDP and on average 18 per cent of government revenues.¹¹² In 1980, oil made up of 96.5 per cent of Nigeria's total exports, and in 1978, generated 40 per cent of GDP and 60 per cent of government revenues—revenues 800 per cent greater than in 1970.¹¹³ In Zambia copper accounts for 95 per cent of total exports and 35 per cent of GDP. Until the fall in copper prices, mining also contributed 45 per cent of government revenues.¹¹⁴ Moreover, in none of the four are there strong backward linkages to other sectors of the economy. Thus, as Meyer and Pearson note of Nigeria, the mineral sector's contribution to development 'depends now more than ever upon governmental decisions guiding the use of resources provided by this extensive, nonrenewable asset.'¹¹⁵ But hope: for 'bonanza development' are unfounded, for they ignore the special nature of the funnel state.

The problems derive from the mistaken equating of state resources with state strength. Of course, state-led diversification and development require resources. They also require the autonomy and capacity to re-order the distribution of economic and political power between state and society, and among non-state actors. Government resources are usually taken as a measure of this, since having them generally presupposes the administrative and coercive capability to extract them. This is not so among states dependent on mineral

¹¹⁰ The phrase is David Becker's, *Limits of Dependency*.

¹¹¹ *Africa Confidential* 22(4) 11 February 1981, p. 5.

¹¹² IMF, *Yearbook*, 1984, Jerker Carlsson, *Transnational Companies in Liberia*, Research Report No 37, Scandinavian Institute of African Studies, Uppsala, 1977, p. 25, and *Limits to Structural Change*, p. 123.

¹¹³ Abel K Ubeku, *Industrial Relations in Developing Countries: The Case of Nigeria*, New York: St Martin's, 1983, pp. 46–9 and Kirk-Greene and Rimmer, *Nigeria Since 1970*, p. 121.

¹¹⁴ Michael Shafer, 'Capturing the Mineral Multinationals: Advantage or Disadvantage?' *International Organisation* 37(1), Winter 1983, p. 94.

¹¹⁵ Ronald K Meyer and Scott R Pearson, 'Contributions of petroleum to Nigerian economic development,' in *Commodity Exports and African Economic Development*, Scott R Pearson and John Cownie, (eds), Lexington, Massachusetts: D C Heath, 1974, p. 178.

production, however; for their resources are windfalls, and they but the funnel for their distribution, not their makers. Some changes do occur: the state becomes a more significant actor and the mineral sector eclipses once central sectors of the economy and the elites tied to them. These changes, however, do not necessarily improve the state's autonomy to formulate diversification strategies or its capacity to implement them. Instead, the lure of mineral resources increases efforts to control the state, forcing leaders to use political survival tactics that reduce both. In Guinea, Liberia, Nigeria and Zambia these problems show in the growth of sprawling but flabby bureaucracies, the intensification of political conflict over access to the state, the adoption of autonomy reducing means to manage these pressures, and the ability of mineral sector interest groups to divert resources to themselves and away from development in other sectors.

Mineral sector resources make possible a huge expansion of public employment; this, however, often diminishes rather than augments state capacities. Though public sector employment on average accounts for 27 per cent of non-agricultural salaried jobs in LDCs, it accounts for 71 per cent, 60 per cent and 53 per cent in Zambia, Nigeria and Liberia respectively. In Zambia, public sector growth also accounted for 55 per cent of all new employment from 1966 to 1973, while in Nigeria public employment grew 15 per cent per year from 1976 to 1980.¹¹⁶ In Guinea, functionaries manage every aspect of daily life. In all four countries, public sector employees enjoy relatively high incomes and benefits denied most of the population. In part, public sector growth reflects demand for state services to meet unmet needs and, in Guinea, an ideological commitment to state control. It also reflects the use of state resources for patronage and the co-optation of opposition groups. Either way, governments' recurrent costs have risen sharply. So has public employees' ability to defend their privileged position even in times of crisis.¹¹⁷ (For example, as Zambia struggled with the copper price collapse between 1975 and 1978, employment in the private sector

¹¹⁶ World Bank, *Accelerated Development*, pp 40-1 and *idem*, *World Development Report*, 1983, p 103, and *Africa Report* 20(2) March-April 1978, p 27. Figures are unavailable for Guinea, but the absence of a private sector and state dependence on bauxite earnings suggest a similar pattern.

¹¹⁷ As Philip Daniel notes of Zambia, although it applied in all four cases, public employees 'became an increasingly significant interest group . . . they were relatively privileged in terms of incomes and fringe benefits, and to maintain that position required . . . continued increases in government revenues and containment of consumer price rises', both of which the government undertook at great cost to other needs. *Africanization, Nationalization and Inequality: Mining Labour and the Copperbelt in Zambian Development*. Cambridge: Cambridge University Press, 1979, p 20.

fell by 18 per cent (21,590 jobs), but public sector employment (where salaries were 60 per cent higher) increased by 6 per cent (13,70 jobs).¹¹⁸ Thus, these bureaucracies cannot plan or promote 'bonanz development', but divert scarce resources from the task and create powerful interest groups often opposed to it.¹¹⁹

The problems of the public sector typify the dilemma facing funnel states. On the one hand, state control of the national wealth makes access to the state the aim of political and economic activity. This in part reflects a colonial heritage in which entrepreneurial avenues were closed to Africans, while the civil service and later politics gave an entrée to the colonial administration. It is also an outgrowth of mineral sector dependence which makes the state the source of wealth. Thus Stephen Holpe posits a 'Liberian premise': 'Unless you are in public political or Governmental office, your access to channels which bring financial and economic wealth is permanently closed.'¹²⁰ Similar 'premises' fit elsewhere, too. 'The principal social distinction within Guinean society,' notes one text, 'is between those who are in position of public power and authority and those who are not.'¹²¹ In Nigeria observes Claude Ake, 'the state appears to intervene everywhere and to own virtually everything, including access to status and wealth. Inevitably, a desperate struggle to win control of state power ensues: since this control means . . . being all-powerful and owning everything. Politics becomes warfare, a matter of life and death.'¹²² The Chairman of Zambia's Congress of Trade Unions defines politics as 'the conduct of public affairs for private advantage'.¹²³

It is the obverse of this competition for control of the state that poses the dilemma: funnel state leaders must adopt survival tactics which limit autonomy, divert resources from diversification and development, and reduce the capacity to undertake the social transformation they require. Guinea sought to transform the economy through state control. But the bureaucrats could not manage it productively, while the size and power

¹¹⁸ Morris Szeftel, 'Political graft and the spoils system in Zambia: the state as a resource in itself' *Review of African Political Economy* (24) May-August 1982, p. 6.

¹¹⁹ World Bank, *World Development Report*, 1983, p. 116.

¹²⁰ Stephen Holpe, 'Ruling families and power struggles in Liberia,' *Journal of African Studies* 6(2) 1979, p. 78.

¹²¹ *Area Handbook for Guinea*, American University Foreign Area Studies, Washington DC 1975, p. 77.

¹²² Address to the Nigerian Political Science Association, 1981, cited in Larry Diamond 'Social change and political conflict in Nigeria's Second Republic', in *The Political Economy of Nigeria*, I William Zartman (ed) New York: Praeger, 1983, p. 25.

¹²³ Cited in *The Sunday Times of Zambia*, 1 January 1978.

he bureaucracy forced Sékou Touré to manipulate it constantly to stay in power. The administrative shuffles, regular purges, tight rein on decision-making, and dependence on family served well in that capacity, but left Guinea more dependent on bauxite than ever.¹²⁴

In Liberia, the rise of mining finalised a political realignment underway since Firestone Rubber's arrival in the 1920s. It ended the old family hegemony based on small, financially weak plantations, shifted power to state leaders who wielded monies extracted from foreign corporations. Presidents Tubman and Tolbert manipulated access to the state to reinforce factional divisions, make the middle classes dependent on that access, and so limit 'any attempt to challenge the system, or develop a pressure group against the government.'¹²⁵ As in Guinea, such machinations made diversification impossible and left the state dependent on mining. The military coup merely changed the identity of those directing the funnel.

In Nigeria, oil revenues shifted power from export agriculture elites to the states to the federal government and central decision-makers and technocrats.¹²⁶ The size of the oil 'bonanza' raised competition for access to the state to fever pitch. Leaders responded by co-opting some potential opponents and paying off others (as the scale of 'official' corruption indicates). Such policies slowed diversification and destroyed many of the sectors which might complement oil. Leaders have also failed to manage competition for access to the state. The result has been a revolving door of governments, each most interested in its share of the 'national' wealth. Oil dependence remains.

In Zambia, the windfall profits of independence and separation from northern Rhodesia initially let President Kaunda 'co-opt support through an expanding base from which to allocate economic rewards.'¹²⁷ But by 1968 he faced serious resource constraints and political pressures. Nationalisation eased both. Kaunda has since maintained control by concentrating power in his own hands and making himself the arbiter among contending forces. He often reshuffles government posts to achieve factional balance and avoid attacks from

Africa Handbook for Guinea, pp 154-5 and *Africa Confidential* 11(7) 3 April 1970, 12(7) 28 March 1979.

oilpc, 'Ruling families and power struggles', p 76.

Irish-Greene and Rimmer, *Nigeria Since 1970*, p 128. Diamond, 'Social Change and Political Conflict', p 50, and Henry Bienen, 'Income Distribution and Politics in Nigeria', in *Political Economy of Nigeria*, Zartman (ed), p 95.

Curry, 'Zambia's economic crisis', p 214.

below, and has encouraged a pervasive patronage and spoils system.¹²⁸ This has kept him in power, but destroyed government capability, reduced autonomy, raised costs, and diverted resources from diversification. Copper remains critical.

In short, leaders' survival strategies have decreased state capacity and autonomy, thus slowing diversification and reducing its likelihood.

The problems of autonomy lost are exaggerated in Nigeria and Zambia where state-owned enterprises (SOEs) formally incorporate the state and the mineral sector. This may severely reduce SOEs' ability to pursue rational production, manpower and pricing policies, raise capital, or maintain existing facilities.¹²⁹ Conversely, SOEs offer access to the state and its resources. Thus, in Nigeria and Zambia it is not surprising that the mineral SOEs and SOE-state relations have become an arena of conflict, for at stake is control over the actual or potential surplus of the SOE and much of the nation's wealth.¹³⁰ Many actors are involved—top leaders, ministers of finance, labour, and economic development, parliamentarians with regional interests, and representatives of other sectors—but best positioned to hold the high ground are those who manage and man the mineral SOEs.

This raises the final aspect of mineral sector dependence: the political and economic power of interest groups spawned by the mining sector. In all four countries mineral sector technocrats occupy privileged positions, while in Guinea, Liberia and Zambia the mining unions do as well, although they differ substantially on this score.¹³¹ Miners were among the first workers to unionise in Guinea, Liberia and Zambia, and because of the sector's centrality and the miners' numbers, these unions also became the core of nationalist organization in Guinea and Zambia. Sékou Touré, for example, began as a mine organiser in Guinea's emergent bauxite industry and then successfully channelled the energies of the 1953 general strike into the Parti Démocratique de Guinée.¹³²

¹²⁸ *Zambia: A Country Study*, American University Foreign Area Studies (Washington DC, 1979), pp 143–4, *Africa Confidential* 18(21) 21 October 1977 and 19(22) 3 November 1978, Szeftel, 'Political graft', and Ian Scott, 'Middle class politics in Zambia', *African Affairs* 77(308) July 1978.

¹²⁹ 'Capturing the mineral multinationals.'

¹³⁰ Muzaffer Ahmed, 'Political economy of public enterprises,' in *Public Enterprises in Less Developed Countries*, (ed) Jones, p 60. See, too, LeRoy Jones and Edward Mason, 'Role of economic factors in determining the size and structure of the public-enterprise sector in less-developed countries with mixed economies,' in *ibid*, p 30.

¹³¹ Nigerian oil field workers are also unionised, but because of the nature of the technology are too few in number to be politically significant. See Ubeku, *Industrial Relations in Developing Countries*, p 47.

¹³² *Area Handbook for Guinea*, p 34 and Kaba, 'Guinean Politics,' p 28.

espite this, however, Touré and his military successors have succeeded in breaking union autonomy and subordinating labour to the state.

By contrast, the Zambian Mineworkers' Union fought for independence on equal footing with Kaunda's United National Independence Party (UNIP), and has maintained its autonomy as a labour organisation.¹³³ Consequently, the government and union have long been at loggerheads: the one seeks better wages, working conditions and benefits—a bigger piece of the copper cake; the other wage restraint and greater labour productivity to minimise recurrent budget expenditure increases and maximise the mineral sector surplus available for investment in diversification. To achieve its ends, the state had adopted strict labour control measures and sought to co-opt union leadership. Neither coercion or co-optation has worked, however. Thus, on the one hand, notes Philip Daniel, Zambian copper sales suffer because of 'unsuitable levels of labour costs per ton',¹³⁴ while the wage standards set by the mining industry raise labour costs in other sectors, making it impossible for them to compete internationally.¹³⁵ On the other, since government must pay these high labour costs and cannot lay off workers or close high-cost mines, it also cannot promote other sectors.

In addition to the challenge posed by miners is the more intractable one of managing the mineral sector technocrats and other middle-class interest groups supported by mineral sector revenues. In Zambia, for example, the allocation of mining sector labour has shifted steadily away from production and into highly paid bureaucratic employment.¹³⁶ The cost of high salaries and generous benefits for this swollen cadre of white-collar mining bureaucrats is added to Zambian copper costs without any compensatory increase in productivity. Despite the resulting damage to the national budget and exports, the state can do little to limit either, not least because civil servants now dominate UNIP and Kaunda's circle of advisers.¹³⁷ Indeed, note

¹ Richard Sklar, *Corporate Power in an African State: The Political Impact of Multinational Mining Companies in Zambia*, Los Angeles: University of California Press, 1975, pp 107–8.

² Daniel, *Africanisation*, p 94.

³ World Bank, *World Development Report*, 1978, p 50, *World Development Report* 1979, p 54, James Fry and Charles Harvey, 'Copper in Zambia', in *Commodity Exports and African Economic Development*, Pearson and Cownie (eds), pp 201–5, and Norman Girvan, 'Multinational corporations and dependent-underdevelopment in mineral export economies', *Social and Economic Studies* 19(4) December 1970, pp 522–3.

⁴ Daniel, *Africanisation*, pp 113–16.

⁵ Scott, 'Middle class politics in Zambia', pp 331–2.

Markakis and Curry, these middle-class perquisites are both 'a necessary condition for the existing alignment of political forces' and the 'limiting factor confronting the efforts of the political leadership to reduce Zambia's external economic dependence and to promote continued development'.¹³⁸

These problems are still greater in Nigeria where the size of the national budget and public sector make the possibilities for excess greater, too. The government currently employs more than 50 per cent of those working in the modern sector and public sector unions have been extremely effective in promoting their interests. Indeed, the wage differential between top government employees and unskilled workers is today 17:1, five times the British equivalent (and that before taking benefits into consideration).¹³⁹ The developmental consequences of this show clearly in the Nigerian budget which devotes a disproportionate share of total outlays to recurrent expenditures on salaries or investment in amenities for civil servants, not development. In 1978, for example, defence and education accounted for 31 per cent of recurrent federal expenditure and 18 per cent of the capital budget, while education absorbed another 20 per cent of state budgets. Most of the huge sums involved have gone for car loans, middle-class housing, middle-class salaries, etc, for 'a gigantic ageing welfare roll of warriors' and 'a greatly expanded teaching profession'.¹⁴⁰ Defence spending has bought little national security, while spending on teachers' amenities has often come at the expense of educational facilities. And in neither case has the essential aim of diversification been well served. Moreover, as oil revenues have fallen, these and other well placed interest groups have maintained their stranglehold on the budget, thus shifting the costs of oil dependence to others.

Conclusion

This paper asks why despite vast natural resources, the governments of Guinea, Liberia, Nigeria and Zambia have been frustrated in their efforts to attain Kwame Nkrumah's dream of a developed and prosperous Africa. It argues that to answer both this and the more general question of which states, under what conditions, will be able to

¹³⁸ Markakis and Curry, 'Budgetary politics', p 403. See, too, Curry, 'Zambia's economic crisis', p 213, Szeftel, 'Political graft', pp 6-7 and *Africa Confidential* 21(11) 21 May 1980, p 2.

¹³⁹ Bienen, 'Income distribution and politics', pp 91-2.

¹⁴⁰ Bill Freund, 'Oil boom and crisis in contemporary Nigeria', *Review of African Political Economy* (13) May-August 1978, p 93.

to their positions in the international division of labour and so sustainable welfare gains for their citizens requires examining the role of the leading economic sector through which states are integrated into the international economy. Considered in this light, the past successes and bleak prospects of Guinea, Liberia, Nigeria and Zambia do not surprise: they are the unavoidable consequence of mineral export dependence. Internationally, these states face a high stakes, high pressure environment in which they lack autonomous control over both the terms and consequences of their engagement. For them, advancement in the international division of labour demands economic diversification. Ironically, however, hope of diversification is dimmed by the form of the state, pattern of state-society relations, and interest group structure which all four possess as a result of mineral sector dependence.

Even careful examination of one sector offers no test of the validity of the claims of sectoral analysis. Thus, by way of conclusion, let us consider the consequences of involvement in a very different sector: vertically integrated manufacturing (eg, textiles, footwear, etc.). Unlike the mineral industries, these lack barriers to entry and are open to all-comers. There are few economies of scale and the technology is standardised. Not market control, but market competitiveness—price, flexibility, quality control, ability to meet customer needs—are the keys to success. As a result, countries and their firms that enter these industries may face extreme international competition, but unlike their counterparts in the mineral sector can compete on an equal footing with all other contenders. How successfully they are able to do so, however, depends on the capacity of the state to pursue policies that enhance their firms' ability to respond to the market. They need foreign exchange and foreign trade policies that do not impede access to capital, technology and inputs or distort market competition.

And to pursue them, they must have the autonomy from domestic interest groups necessary to be able to subject the economy to the hard and cruel winds such policies also let into the international market. In virtue of the characteristics of the non-vertically integrated manufacturing sector, such states are far better positioned to pursue economic advancement than mineral exporters. Because most economic activity takes place outside the state, they are not an asset tied to the state as are funnel states. Similarly, since neither the state nor the firms are directly involved in economic activity, they are able to act as regulators of the national economy, not players in it. This autonomy

from both the economy and economic interest groups is greatly enhanced by the production characteristics of industries in this sector. On the labour side, these industries are notoriously hard to organise because they are divided into innumerable small firms and factories. Thus, states do not face potent unions able to demand higher wages or protectionist measures. As for capital, these industries involve large numbers of small entrepreneurs, all competing with one another and again not easily organised. Moreover, because they are small and oriented to the international market, these firms fear protection since they would lose their markets and be unable to compete successfully with larger firms for control of the domestic market. Thus here, too, the state is free from pressure.

To return, then, to the battleground of orthodoxies, it is clear that both are right, wrong and insufficient. As for the dependency orthodoxy, it is true that states' structural position in the international political economy is important. It is not international engagement *per se* that matters, however; it is what sort of engagement that determines where states stand and what their prospects for advancement are. By the same token, the World Bank is right that correct policies are essential to success in international competition, but their implementation requires more than 'political will'. It is not policy choice alone, but the extent to which the underlying structure of state-society relations gives leaders the capacity and autonomy to pursue them. The strength of sectoral analysis lies in the link it forges between these two alternative approaches. It offers both a parsimonious categorisation of types of international engagement that permits powerful assertions about states' prospects in the international division of labour, and equally powerful assertions about the autonomy and capacity of the different states depending on the specific type of engagement they have.

Errata

In Cosmas Desmond's article, 'Sanctions and South Africa', which appeared in **Third World Quarterly**, January 1986, the sentence containing the phrase 'not possible', on page 97, paragraph one, should read: 'The complete isolation of South Africa is, therefore, not impossible on economic grounds.'

In Lewis Taylor's article, 'Peru's Alan Garcia: Supplanting the Old Order', in **Third World Quarterly**, January 1986, the clause containing the phrase 'APRA will not most likely', on page 131, paragraph two, should read: 'APRA will most likely abandon its newly adopted dove-like posturing and resort to the more traditional methods of pistol, knife and club.'

Third World Quarterly regrets these errors.

Depression of export commodity prices of developing countries: what can be done?

The export prices of the developing countries' commodities are at their lowest point since 1980-1. In real terms, the prices of non-oil products are lower than at any time since the Second World War. And no end is in sight to the decline—for either oil or non-oil products—in view of the uncertain economic outlook, and therefore import demand, of the industrial countries, and other factors. These are: the depressing effects of large debt service payments on the import capacity of developing countries; the presence on primary producers to increase their sales in order to meet their financial obligations, even though their markets may be increasing only slowly, and the excess capacity in some major primary goods.

Falling commodity prices have exacerbated the debt crisis by raising the real debt burden. The debt crisis in turn has contributed to the fall in export prices and the aggregate export revenue of the debtors; this is because of the relentless growth in export volume required under the dominant theory of 'export-led' adjustment, which does not appear to have distinguished sufficiently between primary products and manufactures.

No international action to stem the decline in commodity prices or to provide adequate compensatory finance for the loss of income had been undertaken and no overall plan is under way to improve the situation. An indication of the gravity of this situation is the suspension of purchases by the International Tin Buffer Stock in late October 1985 and a consequent fall in the tin price which has affected developing countries across three continents. While this event cannot be taken as proof of the inherent impossibility of commodity management—just as occasional business failures are no proof that business management is

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inherently impossible—it underlines the need for carefully designed operated stabilisation schemes, particularly under the circumstances now prevailing in the world economy.

Ideally, the World Bank and Regional Development concerned with the debt problems of their members and with the allocation of resources within and across countries, should be undertaking the task of commodity stabilisation and thus improve international framework for the solution of the debt problem. It is eminently suitable for this because of their influence on developing countries' investment and production, and their ability to encourage diversification of production and the expansion of production alternatives, thus reducing the danger of accumulating burdensome surpluses of products whose prices are supported. The large financial power of these institutions is another important factor.

Commodity stabilisation was contemplated as an activity of the World Bank at the time of its establishment, but it was not undertaken. For such an activity to become a realistic proposition, a change of attitude is needed on the part of its major developed members, and of economic philosophy among some of its senior members. The prospects of change should be explored, although there are grounds for optimism at present. Under prevailing circumstances, developing countries must fend for themselves through export expansion, their mutual trade, with minimum use of scarce convertible currencies, exchange, and by improving their bargaining position in the world markets through, where feasible, coordinated selling of their products.

These measures call for:

- 1) an expansion of South-South compensable trade ('counter trade') and its better organisation in order to reduce the excessive discounts and marketing margins which now prevail;
- 2) centralised selling in the world market, at better prices, for commodities for which the demand is price-inelastic (beverages and, to some degree, metals); and
- 3) expansion of the sales volume, at competitive prices, of products which face substitution by synthetics or goods produced in developed countries, provided that such expansion is profitable.

These actions call for finance under the control of the participating countries and this is likely to prove a major bottleneck. Another problem is competition among developing countries for market shares, which stands in the way of coordinated selling.

In the long run, the prospects for broad international action to

primary production are somewhat better. Agriculture and mining in most developed countries are in a bad shape and present trends suggest that they are likely to remain so. In some cases, because of higher costs, they are in a worse position than in the developing countries. With the diffusion of economic and financial power and the enormous growth of international competition during the last thirty years, no single country or region, however powerful, is likely to be able to protect single-handed its own primary producers for long. International cooperative action will therefore be necessary. The need for such action will grow *pari passu* with the need to cooperate in money and finance, which are in as much trouble as commodities and international trade generally.

What follows is an analysis of the nature of the commodity price problem and a discussion of possible mechanisms whereby an improvement, so essential for the well-being of the developing countries, might be secured.

The collapse of prices 1980-85

The magnitude of the fall in commodity export prices is illustrated in the dollar price indices (Table 1) constructed by the United Nations Conference on Trade and Development (UNCTAD) (thirty-nine products, excluding petroleum) and the World Bank (thirty-three products, excluding petroleum), both in current (nominal) terms, for the last five years. Prices fell some 40 per cent during the 1980-2 recession. Part of this decline, about one-third, was recouped during 1983, mainly in response to economic recovery in the US, but, to the surprise of many observers, prices started to weaken again late in the same year. They have been falling relentlessly ever since, and are now below the bottom level of the 1980-2 recession. The improvement in

Table 1: Export commodity prices of developing countries, 1980-5

	UNCTAD Index 1979-81 = 100		World Bank Index 1977-9 = 100	
Peak	October 1980	119	October 1980	152.3
Trough	October 1982	75	October 1982	86.6
Peak (recovery)	March 1984	90	October 1983	102.7
Trough	September 1985	72	July 1985	81.6
Last month available	October 1985	74	November 1985	84.2

Sources: UNCTAD and World Bank data

the last couple of months of 1985 resulted mainly from a short coffee crop in Brazil. Meanwhile, petroleum has joined the parade of falling prices: its peak was reached in October–December 1981 and by November 1985 the price had fallen by 23 per cent. Since December 1985, the oil price has been in free-fall.

Annex Table A shows the commodity dollar price series in real terms for the last thirty-eight years. The present prices of non-oil commodities are lower, in real terms, than at any time since World War II, including each of its recessions.

Grilli and Yang, in their recent study of commodity price movements during the last eighty-three years, found that:

The deepest trough in nominal commodity prices occurred in 1932 and it is common to all commodity sub-groups. Prices fell by more than 50 per cent in nominal terms over the span of three years. To find another period of cyclical decline of the same duration and comparable magnitude . . . one has to look at the 1980–82 period, during which prices declined by 30 per cent. Sharp downward price adjustments also occurred in 1921, 1952–53 and again in 1975, but they were either less prolonged or less pronounced. The 'Great Depression' of the late 1920s and the 'prolonged recession' in the world economy of the early 1980s have had the strongest and longest lasting negative impact on nominal commodity prices.¹

At the time of writing (end-December 1985), the present downward price movement is not yet completed, and we have to wait for a full comparison.

Causes

No comprehensive investigation has yet been undertaken of the relative weight of the different causes of the current price decline. Those quoted include: the weakness of the present industrial recovery and the associated low rate of investment; its skewness in favour of services and high technology industries which do not consume much raw materials; technological change resulting in savings of materials; and the adverse effect on demand of improvements in inventory control and high rates of interest.

For copper, a recent comprehensive study by Takeuchi expresses the combined effect of these factors in one statistic: the decline in copper use per unit of gross product in industrial countries ('copper intensity')

¹ Enzo R Grilli and Maw Cheng Yang, *Long-Term Movement of Non-fuel Primary Commodity Prices: 1900–83*, Washington DC, 1985 (mimeo).

DEPRESSION OF EXPORT COMMODITY PRICES

Table 2: Change in 'copper intensity' by region
(KG per million constant 1980 US dollars)

	1960	1965	1970	1975	1980	1981
Industrial countries	1,107	1,125	2,017	775	827	835
Developing countries	540	547	533	574	640	720
Centrally planned economies	1,116	1,148	1,105	1,117	1,035	1,010

Source: Kenji Takeuchi, 'Changing structure of the world copper industry and its future prospects' (draft) December 1985, p 54 (mimeo).

by some 25 per cent between 1960 and 1981 (see Table 2). This tendency is partly offset by a rising trend in 'copper intensity' in developing countries (33 per cent), and the net long-run effect on aggregate world copper consumption is not clear, in view of the growing weight of the developing countries in this consumption.

There is another general factor pressing on the commodity markets, however—transfer losses, in the form of falling export prices, caused by an inelastic need for foreign exchange resulting from debt service commitments and critical import requirements. Export sales are maintained in the face of heavy competition, insufficient foreign demand and frequent trade obstacles in order to acquire desperately needed foreign exchange. A large number of primary producing countries are devaluing one after another in order to be able to compete at the present low world prices, but, as demand is frequently depressed and does not respond to price cuts, the main result of devaluations in these cases is to reduce real wages all around and further to depress world prices.

Prospects

It is difficult to see factors on the horizon which could lead to an improvement in commodity prices in the near future. The economic outlook in the industrial countries is now viewed as being less favourable than a year or two ago. The economic outlook of the developing countries meanwhile has not improved: the major debtor countries are experiencing a deterioration of their financial position as compared with 1984. Hence, the demand for commodity imports in the two areas is likely to slow down. On the other hand, there is large excess capacity in such key products as oil, copper, aluminium, sugar and grains.

The decline in commodity prices has frequently been explained by the

appreciation of the dollar. On this view, the decline of the dollar after March 1985 should have been accompanied by a recovery of commodity prices. This did not happen, however: the downward drift continued. It follows that the deflationary forces now at work in the world economy are of sufficient strength to swamp the effects of exchange rate fluctuations.

Four special factors will operate in the commodity markets in the medium term. Three of these will have a depressant, and the fourth a stimulating, effect on prices. Firstly, it is now virtually certain that the decision on 9 December 1985 of the majority of the members of the Organisation of Petroleum Exporting Countries (OPEC) to defend OPEC's market share in competition with non-OPEC oil producers will result in lower prices for petroleum. In part, the price has already fallen. Declining petroleum prices mean lower prices of petroleum-based synthetic materials, which will in turn keep the prices of competing natural materials, such as rubber, cotton, wool, jute and sisal depressed.

Secondly, the suspension of purchases by the International Tin Buffer Stock since 24 October 1985 has already resulted in a fall in the price of tin, and will also, to some degree, exercise a downward influence on the prices of other commodities. Apprehensive of possible losses on their inventories, brokers and speculators will be somewhat more reluctant than formerly to undertake commodity purchases, and bankers may require guarantees from producer country governments, in addition to commodity warrants, when lending to other buffer stocks.² The need to cover losses likely to be sustained in tin trading may have already led to distress sales of other metals held by the same speculators.

Thirdly, the farm legislation enacted by the US Congress in late December 1985 envisages a powerful drive to expand exports of agricultural products through a reduction of domestic price support and compensation of farmers for the resulting loss of income, and other measures. According to Mr Barr, Vice-President of the National Association of Farmer Cooperatives and former Director of the economic staff of the US Department of Agriculture,

The rationale is that we have been playing into the hands of our competitors. This really serves notice to the rest of the world that we are going to be very aggressive exporters. Now we are saying to them 'We are going to find out if

² 'Crisis causes problems for rubber accord', *Financial Times* (London) 6 November 1985.

'ou can compete with us either in agriculture or in treasuries.' This gives a chance for a test. If it turns out after a couple of years that competition is not the key, we'll have to go back into the programme and operate on it again.³

Fourthly, the drought of November–December 1985 in some of the major coffee-producing areas of Brazil has created expectations of a coffee shortage and a sharp upsurge in prices. A strong coffee market in the next couple of years or so will improve the position of a number of Latin American and African countries. An improvement in the price of tea, a part competitor, may also follow.

On the whole, the price-depressing factors are likely to dominate, although surprises in commodity markets are always possible.

Paralysis of international policy

No international action is at present under way to stop, or slow down, the fall in prices, or to provide finance in sufficient amounts to compensate for income losses. The commodity issue was one of the topics on which a study was prepared for the April 1985 meeting of the Development Committee of the World Bank and the International Monetary Fund (IMF), but no action was proposed, taken or discussed. The IMF Compensatory Financing Facility, after being broadened in 1981, has been made more conditional since 1983, and the access limits on it have been reduced. Action was postponed on an UNCTAD export group proposal for the establishment of a complementary financing facility, and the matter will be considered again only in the autumn of this year. The UNCTAD Secretariat proposal at UNCTAD VI in June 1983 for a programme of immediate action based on interim commodity arrangements between producing and consuming countries failed to evoke a response. The Common Fund, originally conceived as the main vehicle to assure support and stability for commodity prices, is still in the process of ratification. The latter now depends on the action either of the socialist countries of Eastern Europe or the US.

As negotiated, the Common Fund will need the support of new commodity arrangements in order to be able to exercise its stabilising functions, but no new agreements have been concluded (after that on natural rubber) in the implementation of the Integrated Programme for Commodities. The agreements on sugar and cocoa are not operative

³ *The New York Times*, 23 December 1985. See also *Financial Times* (London) 24 October 1985 ('US, gears up for export drive but farmers still face bankruptcy'), and *The Wall Street Journal*, 23 December 1985 ('Farm fallout').

and the fate of the agreement on tin is uncertain. This leaves as the effective agreements those on coffee and natural rubber. A recently reported initiative to reach an understanding on petroleum has failed. Apparently, an OPEC price cut was suggested in return for a cooperative effort that would help to revive purchases of oil by the member countries.⁴ Several developed countries, including Japan, Sweden and the Netherlands, were in favour of a dialogue with OPEC in recognition of a common interest in price stability, but the majority of developed countries were reported to be opposed to discussion at the present.⁵

The debt crisis

The 1982–5 debt crisis has exacerbated the commodity problem, which in turn, has aggravated the debt crisis. The dominant theory of adjustment, based on a 'case by case' approach, has relentlessly advocated export-led growth in virtually all debtor countries. While this policy has paid off so far for exports of manufactures, it has had a negative effect on the exports of primary products. It has helped to drive down their prices and, in conditions of low short-run price elasticity of demand, to depress the export revenue of the debtor countries as a group.⁶

The aggravation of the debt crisis during 1985 has led to new calls for international action by the debtor countries and to a new initiative by the US Government aimed at stimulating the resumption of private bank lending to major borrowing countries, which had completely dried up. The initiative was also aimed at increasing the lending of the multinational development banks, the World Bank and the Inter-American Development Bank. This initiative continues to be based on a 'case by case' approach, however, and does not contemplate any specific action to change the international framework of the commodity problem—commodity prices, obstacles to trade and the international rate of interest.

The idea that the World Bank should play a major role in stabilising commodity prices has existed since its establishment, and this consideration

⁴ *The Wall Street Journal* (New York) 21 July 1985.

⁵ *The New York Times*, 10 July 1985; *Le Monde* (Paris), 11 July 1985.

⁶ See further on this, Dragoslav Avramovic, *Developing Country Debts in the Mid-1980s: Trends and Policy*, December 1985 (mimeo).

inevitably comes to mind now as new approaches to the debt problem, in which the Bank is vitally interested, are being discussed. In the inter-Allied discussions prior to the Bretton Woods Conference of 1944, Keynes, on the basis of his theoretical work and his practical experience of the 1920s and 1930s, advocated setting up three international institutions—one to handle exchange and liquidity problems (eventually the IMF), the other to handle long-term investment for post-war reconstruction and development (eventually the World Bank) and the third to finance commodity stabilisation through buffer stocks. His commodity plan survived the criticism of British Government departments, the main one coming from the Ministry of Agriculture, whose officials did not believe that supply restrictions could be avoided and had doubts whether a buffer stock could take care of fluctuations and surpluses.

It was at the Washington Conference of September 1943 between the US, the UK, and Canada, held prior to the final preparations for the Bretton Woods Conference, that the third part of the trinity—the Buffer Stock Organisation—fell through. The US Department of Agriculture considered the Buffer Stock Plan unacceptable because it was too market-oriented: at that time, the department was still feeling the impact of the Great Depression. In contrast, the chief US negotiator at the Washington conference, William Clayton, was a great believer in free trade—and he considered the Buffer Stock Plan too restrictionist. Another major complication apparently arose when President Roosevelt initiated the Food Plan—the predecessor of the Food and Agriculture Organisation (FAO). He was already thinking about feeding the hungry of the world, while Keynes was trying to save the world from surpluses. As Sir Roy Harrod, a close collaborator and subsequently a biographer of Keynes put it:

The Americans long in negotiations have fobbed the British off—the British were advocating a specific scheme for Buffer Stocks to be instituted when the war was over—by saying ‘Don’t press us on that now; the Bank can look after such things.’ . . . I don’t know if we (the British) ever did decide to drop the Buffer Stock Plan; but it was not on the agenda at Bretton Woods.⁷

In late 1968, at my request, the former Secretary of the World Bank, Morton Mendels, searched for and found in the IMF files the 1943

⁷ Private correspondence with Sir Roy Harrod, letter of 28 January 1969. The story of British-American negotiations was told to me by Sir Roy orally in London on 4 December 1968, and later confirmed in correspondence.

correspondence confirming that the Buffer Stock Plan was active discussed at that time. In some of the drafts it was envisaged that the commodity stabilisation functions would be part of Bank operations. As it has turned out, the World Bank has not become involved in commodity stabilisation, despite suggestions that it should. Yet, in view of its actual and potential influence on investment and production including diversification into alternative lines of activity, it could play a major role in support of the Common Fund when it is ratified, or directly before ratification. Given this influence, it might be better able than other institutions to prevent the accumulation of burdensome surpluses and at the same time enable the producing countries to expand production where this promises to be worthwhile. For such action by the Bank to become a realistic prospect, however, attitudes among some of the major developed countries who are its members and the economic philosophy of some of its senior staff, will need change. Regional Development Banks could also play a role.

Analytical questions

It is difficult to be optimistic about the prospects for a broad North-South arrangement on commodity prices in the light of past history, conflicting short-run interests and the economic philosophy prevailing in some quarters. A complicating feature has been the animosity of a considerable part of the economics profession towards commodity stabilisation. This factor may have had more influence on national administrations and international agencies than is commonly thought. And yet much of this animosity is not well founded, as Professor Behrman points out in a recent study:

An example is provided by Harry Johnson's severe 1976 criticism of the primary commodity price stabilisation-buffer stock agreement and of UNCTA economists because 'elementary economic analysis' reveals that the UNCTA proposals would lead either to a reduction in producer revenue or an increase in revenue variability. Even if one grants Johnson his use of simple static supply and demand models with no externalities, no market power, etc., his scathing critique depends critically on further simplifying assumptions (e.g. linear supply and demand curves with instantaneous adjustments and additive stochastic shifts). Rather than demonstrating the incompetence of UNCTA economists, as Johnson claims, his analysis demonstrated the extent to which special simplifying assumptions may be misleading, no matter how arrogant

* Miss Marie Stark, from the office of the Secretary, IMF, located the 1943 documents.

the results are presented. Though I have used Harry Johnson's analysis as an example because of his prominence and influence, he was not alone in making such assumptions.⁹

In the discussions of the mid-1970s, when the Integrated Programme and the original Common Fund proposal were under active consideration, the main problem which had to be faced—and which, to some extent, still has to be faced—was the belief held by many neo-classical economists that the developing countries did not have a case. And yet no one has disputed, to my knowledge, the essence of that case as set out below:

As matters now stand, the many financially weak producing countries, mostly low-income, have a limited staying power in the international market. Financially unable to carry stocks and in urgent need of foreign exchange, the low-income countries are frequently compelled to sell competitively on a falling market the commodity surpluses which periodically inevitably arise because most commodity production is highly variable and cannot be adjusted quickly to changing demand. These distress sales, usually accompanied by sales from speculative stocks, force even the financially stronger developing countries into competitive selling, as they become concerned about a loss in market share. This pressure of sales occurs in the face of a limited number of financially strong buyers in developed countries who postpone purchase in the expectation of still lower prices, apprehensive of losses on inventory if they buy prematurely.

It is these circumstances which frequently lead to extremely sharp price falls and to associated declines in producers' incomes, sometimes disastrous. Even under normal circumstances, when crops are near average, the bunching of competitive sales in the face of a limited number of buyers will lead to erosion of the market price, or to special sales under the market, or both.

The losses incurred by low-income sellers in falling markets normally cannot be compensated by gains on rising markets. To achieve such gains, the sellers would need financial power to hold supplies off the market for a considerable time while it is rising. The developing countries do not have such financial power, although there are rare and temporary exceptions.¹⁰

⁹ Jere R Behrman, 'Rethinking global negotiations trade', paper presented at the conference jointly sponsored by the Indian Council for International Economic Relations and the International Economics Research Center, Columbia University, held in New Delhi, 6-8 January 1983.

¹⁰ Dragoslav Avramovic, 'Common Fund: why and what kind', *Journal of World Trade Law*, September-October 1978, pp 376-7.

Cooperation among developing countries

Developing countries have expanded their share of world imports of several major agricultural raw materials and foodstuffs significantly. In rice, palm oil and jute the developing countries now account for more than 50 per cent of world imports. In soybean oil, sugar, cotton and sisal, the share is between 40 per cent and 50 per cent (Table 3). As developing countries are large, and in some cases dominant, producers of these commodities, substantial scope has been created for expanding the trade between them. However, the actual expansion of trade appears to have lagged behind its potential, as primary producers among the developed countries have disproportionately increased their sales, partly because of the lag in developing country production and partly because of the better financing terms which developed countries were able to offer.¹¹

Table 3: Developing countries' percentage share of world imports

	1964-6	1969-71	1979-81	1982
Agricultural Raw Materials				
Jute	26.6	30.6	54.9	57.4
Cotton	35.1	29.5	49.6	47.0
Sisal	n/a	n/a	n/a	40.0
Rubber	18.9	20.3	25.7	25.6
Cereals				
Rice	74.0	82.8	78.7	80.7
Wheat	57.3	55.3	59.4	59.2
Coarse grains	11.2	14.1	29.4	41.3
Other Foods				
Palm Oil	24.6	30.0	59.4	62.5
Soybean Oil	31.0	31.5	43.1	44.9
Sugar	29.0	27.1	41.5	42.5
Beef and Veal	9.2	11.2	22.6	27.7
Coconut Oil	13.8	11.2	15.9	13.4

Source: World Bank, *Price Projections for Major Primary Commodities*, September 1984; Mehmet Arda, *South-South Trade in Commodities*, UNCTAD, 1985.

¹¹ For empirical evidence of the lag, see Mitojka Nemanic and Marjeta Zver, *Primary Commodities Statistics—Trade Among Developing Countries 1974-84*; and Mehmet Arda, UNCTAD, *South-South Trade in Commodities*, both circulated at the Conference on Primary Commodities—A Challenge to Cooperation among Developing Countries, held in Skopje, Yugoslavia, on 26-7 September 1985. Better financing terms offered by developed countries have been encountered worldwide.

The financial crisis of the 1980s has given rise to a large expansion of the compensable trade ('counter-trade') of the developing countries, both among themselves and with developed countries. By assuring a rough equivalence in deliveries, compensable trade has enabled the interchange to take place despite acute shortages of convertible foreign exchange. It is the compensable trade among developing countries which has grown particularly rapidly in recent years. Annex Table B contains a list of transactions recorded in 1982-3. The list is not exhaustive, as necessary details are not available for all transactions. Even so, it provides an impressive picture of the scope, geographical spread and variety of products in developing country compensable trade. The list is a mixture of primary products-for-primary products exchange and of primary products-for-manufactures exchange. A similar compilation has been made of possible future transactions among selected developing countries.

Four problems have arisen in compensable trade:

- a) Only a small proportion of the transactions (4 per cent in a recent sample) consist of pure barter which does not call for any finance. The rest are counter-purchase, offset deals, buy-back arrangements and switch trading which all involve differences in timing of deliveries and therefore require bridging finance. The finance is mostly short-term, however.
- b) Bilateralism of transactions has disadvantages in principle whose impact varies from case to case. What is now emerging are triangular and multilateral deals and improvements in payments arrangements which should lead to greater efficiency and broaden the scope of South-South trade over a period of time.
- c) Much compensable trade has been handled by companies located in developed countries. This has been the case even when the goods were sold in developing country markets: much of the compensable trade between the developing countries and the US and the UK is apparently of this variety.¹² Discounts and marketing margins have occasionally been quite large, resulting in a loss of income and a deterioration in the terms of trade. It follows that a major effort needs to be made to maximise direct trade

¹² Thomas B McVey, 'Countertrade, Commercial Practices, Legal Issues and Policy Dilemmas', in *Law and Policy in International Business* 16(1) 1984, p 57; Department of Trade and Industry, Project and Export Policy Division, *Countertrade: Some Guidance for Exporters*, London, May 1984, p 12.

among developing countries, and this calls for South-South finance.

- d) Production has lagged in a number of developing countries, reducing the surpluses available for export.

In most cases, there should be no conflict between the expansion of South-South trade and the expansion of developing country exports for convertible currencies which continue to be badly needed. Both the mutual trade and the trade with the rest of the world can develop simultaneously, as long as there are unused resources in developing countries and their exports to developed and other convertible currency countries are subject to market limitations.

Possibilities of price improvement

For tropical beverages and, to some degree, selected metals, coordinated selling could result in an improvement in prices and revenue, as the market can take the price changes within reasonable limits. This is not a new idea,¹³ but its realisation has not proved easy for a number of reasons. Some of the relevant considerations are:

- a) The experience of the coffee agreement, which operates export quotas and discriminates between the quota and non-quota markets ('new' markets), is that price discounts develop in sales to the non-quota markets and tend to spread. The discounts have recently averaged 40 per cent and have applied to about one-fifth of total coffee exports. A similar discounting practice has been encountered by OPEC and led to the erosion of the target price. To deal with this problem there does not seem to be any alternative to channelling all sales through a centralised selling agency. This system seems to have been discussed at the July 1985 OPEC meeting, but apparently no conclusion was reached.

Professor Robert Mabro has proposed that OPEC should withdraw altogether from short-term sales and sell all its oil in fixed one-year contracts at unalterable prices, and that a central clearing house should be set up which would allocate the demand for these contracts to each OPEC producer in proportion to its allowable OPEC quota.¹⁴ Experience with a successful central

¹³ For history, see Alfred Maizels, *Selected Issues in the Negotiation of International Commodity Agreements: An Economic Analysis*, UNCTAD, 1982, p 51.

¹⁴ *Financial Times* (London) 11 July 1985, reporting on the Oil Industry Developments Conference of 10 July 1985.

selling organisation exists: de Beers has operated it for decades in the diamond market through successive business cycles and structural changes. This experience is worth studying.

- b) A central selling organisation may solve the problem of implementing a producers' agreement, but does not solve the problem of quota allocation. The vexing issue here is the conflict between old and new producers which has been a major obstacle in the way of a tea agreement. To cope with this problem, Mr Leelananda de Silva has proposed a scheme for entitlements to export earnings 'which would allocate earnings to each producing country not necessarily on the actual volumes it exports but on its export potential, taking due regard of the principle that in an international commodity agreement both exports and the withholding of exports in the interest of supply management are contributions to the expansion of total export earnings.'¹⁵

The effect of the scheme would be to put a premium on product diversification. The idea has some resemblance to the acreage withholdings applied in some developed countries. A variant of it turned up in a copper scheme prepared by the Economics Department of the well-known minerals firm, Rio Tinto Zinc.¹⁶ The de Silva proposal and its possible variants for different commodities should be studied.

- c) A complementary means by which an understanding could be reached between the different producing countries in allocating export quotas would be to operate through the contemplated Global Scheme of Trade Preferences (GSTP). The industrially more advanced countries, eg in Latin America or India, could be expected to yield part of their share of export markets in coffee and tea to the less advanced countries in Africa, as they would be likely to be the primary beneficiaries of any preferential access—through the GSTP—to markets for manufacturers. The same argument applies to those developing countries which could be expected to support the price improvement schemes even though they do not export any primary product benefiting from such an arrangement: they should, at any rate, be able to benefit from the GSTP.

¹⁵ Leelananda de Silva, *International Commodity Trade: A Scheme For Export Earnings Entitlements*, Geneva, 1983 (mimeo).

¹⁶ *Compensatory Loans for Copper Production Cut-Backs Accompanied By Stockpiling Arrangements*, London, May 1983.

- d) Finance must be available at least for the initial stocking period, however brief, as measures to control production and exports, and thus improve prices, take time. In the absence of finance, the producing countries have no choice but to sell on the market, however weak it may be.¹⁷ This point brings us to the proposal to establish a financial institution for the developing countries. It may be argued that the time is not propitious, and yet the developing countries still have enough resources to establish such an organisation, and they have little choice if they want to influence commodity markets.
- e) Target prices must not be set too ambitiously. This was an important factor in the suspension of purchases by the International Tin Buffer Stock, although there were others—for example, the insufficient size of the stock, the excessively rapid expansion of output in non-member developing countries, stock disposal by non-members and the impact of exchange rate fluctuations.

The institutional framework

Proposals exist for handling the issue of finance institutionally, both to facilitate the intra-country trade of developing countries and to strengthen their staying power in world markets and thus to help to improve their selling prices where feasible. With respect to this latter objective, the original UNCTAD Secretariat proposal for the establishment of a Bank of Developing Countries (South Bank) placed major emphasis on the provision of commodity finance as one of its central functions in order to improve the capacity of these countries for supply management.¹⁸ Inter-governmental negotiations on this proposal have moved slowly, however. The main opposition has come from several oil-exporting countries in the Gulf, essentially on the grounds that the existing institutions can fill all the gaps in finance,

¹⁷ Dr Ali Ahmed Attiga has made this point succinctly as it applied to petroleum exporting countries in: '*Options de développement des pays Arabes exportateurs de pétrole*', lecture given at the World Bank Staff Seminar, 18 December 1981, published by O.APEC, Kuwait, 1983, p 13.

¹⁸ See, Dragoslav Avramovic (ed), *South-South Financial Cooperation: Approaches to the Current Crisis—Jamaica Papers*, Francis Pinter, London, 1983; and *Report on the South Bank*, Office of the Chairman of the Group of 77, New York and International Center for Public Enterprises in Developing Countries, Ljubljana, Yugoslavia, 1983.

including commodity stabilisation finance, and, if the existing institutions are not willing, they can be reformed.¹⁹

This argument is not difficult to disprove, as stated by the Secretariat of the Brandt Commission:

... the chief reason for the lack of facilities or instruments for important types of financing is the lack of trust and the troubled relationship between developed and developing countries. The common feature of the different gaps is that they go to the heart of the economic and political relationships between the developed and developing countries. Whether it is programme lending, or commodity stabilisation, or promotion of LDC (less developed country) exports, or finance to enable them to cooperate with each other more effectively, or the development of mineral resources to their advantage, or the reorganisation of unviable debt structures, all these in their several ways, singly and together, are forms of finance which would enable the poor countries to become self-reliant and independent participants in a more equitable exchange with the rich countries. Thus they all call for a new approach to decision-making. It is this approach which has so far been lacking in North-South relations and which has so far defeated various efforts towards the reform of existing institutions in covering these gaps.²⁰

Recently, it was suggested in an OAPEC (Organisation of Arab Petroleum Exporting Countries) Bulletin editorial that long-term solutions to the problem of supply/demand fluctuations in oil 'might include broadening the scope of the OPEC Fund for International Development to cover helping those member countries that suffer most during periods of supply/demand imbalance in the oil market. It might also be worth considering the formation of a joint marketing committee within OPEC to coordinate and monitor the implementation of the member countries' marketing policies.'²¹ The same prescriptions apply to other developing country exports for which demand is price-inelastic. One of the ways of creating the South Bank would be to transform the OPEC Fund into an all-developing country financial institution. This was the proposal made by Algeria and Venezuela in 1979.

With respect to the 'intra-trade' of developing countries, a proposal for financing its expansion was made in July 1983 by the President of the Bank of Credit and Commerce International.²² The proposal envisaged the establishment of a Third World Bank—a consortium of banks of

¹⁹ John C Fahy, 'The South Bank: an economic assessment', in *Intereconomics*, January/February, 1985. Mr Fahy is Chief Economist, Economic Division, Saudi Arabian Embassy, London

²⁰ IBIDI, *The Brandt Commission Papers*, Geneva/The Hague, 1981, p 600

²¹ Organisation of Arab Petroleum Exporting Countries, *Bulletin*, Kuwait, December, 1984

²² Address by Mr Agha Hasan Abedi, at the Third Conference of Banks from Developing Countries, Ljubljana, Yugoslavia, 6 July 1983.

developing countries, public and private—to promote their mutual trade; to institute a mutual settlement system for this purpose, which would economise in the use of convertible foreign exchange; to provide short-term balance-of-payments and bridging finance; and to extend short-term commodity finance. In further work on this proposal, major emphasis has been placed on financing compensable trade, provision of credit covering exports for convertible currencies, and the development of a mutual settlement facility with its own unit of account. With further evolution the latter may, if successful, play a considerable role in facilitating the growth of intra-developing country trade.

The two financing approaches—the South Bank and the Third World Bank—are complementary. The South Bank would cover the financing of joint ventures and other projects, particularly in minerals, and support the payments arrangements of developing countries and their mutual trade, besides involving itself in commodity stabilisation. It would operate in the medium and long term. The Third World Bank would concentrate on short-term trade and trade-related finance. These two financing mechanisms and the proposed Global System of Trade Preferences would represent a major institutional innovation. If realised, they could lead to a broad cooperation by the developing countries in the trade and monetary and financial spheres, both in their mutual relations and in their relations with the outside world.

The long run

Professor Lord Kaldor, a long-time believer in commodity stabilisation, suggested recently that special drawing rights (SDRs) should be issued for the acquisition of commodity stocks, and stressed the importance of commodity stabilisation both for international monetary stability and to assure the supply of primary products for long-run growth. He concludes by recalling Keynes' scheme and has some poignant words on its fate and on the tortuous road of the Common Fund:

If . . . economic growth in the long run depends on the growth of availabilities of the essential 'inputs' of the industrial sector, in food, industrial raw materials and energy, the prime condition is to secure stable world prices for such commodities through a new international reserve currency that is *de facto* convertible into commodities. This, I am sure, was the thought behind Keynes' advocacy of an International Commodity Control. His proposals have thus the same intended effect as the more recent proposals for a 'Common Fund'—even though the latter is not linked to the creation of a new international currency convertible into commodities. However, since the latter scheme originated

with the 'developing' countries (members of UNCTAD), it had the same cool reception which Keynes' ideas received from the British Establishment during the War. Nobody seems to have understood that, while the proposal was prompted by the developing countries, its adoption was in the vital interest of the 'developed' or industrialised countries, since it is a pre-condition for securing adequate long-term investment necessary for sustained industrial growth.²³

A similar idea was put forward in the Secretariat of the Brandt Commission, and directly tied to the proposal for a commodity reserve currency.²⁴ A number of issues need to be dealt with in this area, including the difficult question of storage costs. There is little doubt, however, that the problems of monetary stability, growth and commodity stabilisation are closely related.

Given the enormous difficulties which confront primary producers in all countries—developed as well as developing—it is only a matter of time, in my view, before the international commodity issue will be back on the international agenda.

The present world situation in primary production has been described as follows by an expert observer:

There are huge acreages of farming land worldwide which are becoming redundant because production is exceeding economic demand. This land, and its farmers, are just as redundant as mines and steelworks and their personnel. The repercussions of this situation on the farm supply industries, and even on the political stability of the countries concerned with exporting are most serious.

To bring the argument nearer home. The EEC Commission is seeking to cut production by various means, as already seen with milk quotas. I very much doubt if slow strangulation by price restraint will cut off production for a long time. The need to take land out of farming is just as necessary in economic terms in Europe as it is in the US and elsewhere. The political question of the day is whose land is to be sterilised and how will farmers be compensated.

Suggestion of allowing prices to fall until the market recovers is not a real starter. It happened just like that in the 1930s, causing widespread destitution in rural areas and dustbowls and the like. Of course, it did work: prices eventually rose and farming got back on its feet, but it took ten years and we will never know if the war had more to do with the recovery than the *'laissez-faire'* approach.²⁵

²³ Nicholas Kaldor, 'The role of commodity prices in economic recovery', *Lloyds Bank Review*, July 1983, p. 34.

²⁴ 'The international monetary system' (principal author Justinian Rweyemamu) in *The Brandt Commission Papers*, *op cit.* pp. 567–8.

²⁵ John Cherrington, 'Rooting out the redundant acres', *Financial Times* (London) 15 October 1985.

According to a leading French exporter of cereals, 'their prices have experienced a free-fall.'²⁶ Confirming this, Argentina's export prices of grains are reported to have fallen by 20 per cent in 1985 alone.²⁷ It is the cumulative effect of these developments, now operating throughout the world, which will lead to a change in economic thinking and international policy, before, it is to be hoped, enormous damage has been done.

ANNEX TABLE A

World Bank index of commodity prices in constant 1977-9 US dollars^a

Year	33 Commodities (excluding energy)	Petroleum	Year	33 Commodities (excluding energy)	Petroleum
1948	109	47	1968	100	23
1949	109	40	1969	103	22
1950	146	41	1970	102	20
1951	153	36	1971	92	25
1952	130	34	1972	94	26
1953	122	37	1973	122	32
1954	132	40	1974	157	108
1955	130	39	1975	112	95
1956	128	38	1976	109	100
1957	125	37	1977	112	100
1958	109	34	1978	93	87
1959	108	31	1979	97	111
1960	107	29	1980	113	166
1961	100	28	1981	91	186
1962	98	26	1982	77	186
1963	117	26	1983	82	165
1964	115	24	1984	81	164
1965	107	24	1985 ^b	73	159
1966	106	23			
1967	98	23			

^a As computed from the UN unit value index of manufactured exports from five industrial market economies.

^b Estimate.

Source: World Bank, *Half-Yearly Revision of Commodity Price Forecasts and Quarterly Review of Commodity Markets for June 1985*, 31 July 1985.

²⁶ *Le Monde* (Paris) 6 September 1985.

²⁷ *The Washington Post*, 15 September 1985.

DEPRESSION OF EXPORT COMMODITY PRICES

ANNEX TABLE B

Compensable transactions of developing countries, 1982-3
(South-South)

Countries		Commodities traded	
(1)	(2)	(1) ^a	(2) ^b
Angola	Brazil	oil	steel products (US\$100 mn)
Argentina	Iraq	grain	oil
Bangladesh	Burma	jute bags	rice
Bangladesh	Thailand	jute	rice (50,000 tons)
Brazil	Angola	see above 'Angola-Brazil'	
Brazil	China	coffee	cinnamon
Brazil	Ecuador	manufactured goods	oil storage facilities on Ecuadorian territory
Brazil	Ecuador	trucks	pyrethrum
Brazil	Egypt	metal ingots	semi-finished goods
Brazil	Iran	manufactured goods (US\$400 mn in 1983)	oil (40,000 bpd)
Brazil	Iraq	armoured cars	oil
Brazil	Malaysia	iron ore (300,000 tons pa over 5 years)	oil (10,000 bpd)
Brazil	Mexico	oil products, petrochemicals, soybeans (160,000 tons), oil-drilling equipment	oil (80,000 bpd)
Brazil	Venezuela	sugar (25,000 tons)	oil
Brazil	Venezuela	soybeans (200,000 tons), sugar (360,000 tons)	oil (80,000 bpd)
Burma	Bangladesh	see above 'Bangladesh-Burma'	
Burma	Malaysia	rice	palm oil
Costa Rica	Romania	coffee	paper
China	Brazil	see above 'Brazil-China'	
China	Malaysia	Xiamen-made products, incl rubber gloves and shoes	power plants, technology for rubber & wood processing industries in Xiamen's Special Economic Zone
China	Pakistan	rice	jute
China	Philippines	tools and machinery	sugar

THIRD WORLD QUARTERLY

Countries		Commodities traded	
(1)	(2)	(1) ^a	(2) ^b
China	Sri Lanka	rice	rubber
Colombia	Mexico	coking coal (1 mn tons pa, US\$40 mn)	manufactured goods
Ecuador	Brazil	see above 'Brazil-Ecuador'	
Ecuador	Romania	bananas	agricultural equipment
Ecuador	South Korea	bananas	motor vehicles
Egypt	Brazil	see above 'Brazil-Egypt'	
Egypt	Malaysia	bulk rock phosphates	production of fertilisers and their distribution in Malaysia, Thailand and Singapore
Egypt	Somalia	batteries, plastic products, tyres, textiles (US\$20 mn)	canned and frozen meat products
Ghana	Upper Volta (now Burkina Faso)	cattle (US\$5 mn)	salt, cola nuts, sawn timber (US\$2.5 mn)
Guatemala	Mexico	sugar, rubber, oils	petroleum products
Guyana	Jamaica	rice	soybeans
India	Iraq	construction work	oil
India	Iraq	road and railway construction	sulphur, oil
Iran	Pakistan	oil (value US\$200 mn)	sugar (50,000 tons) wheat (130,000 tons), rice, chemical fertiliser
Iran	Taiwan	oil (value US\$300 mn)	textiles, chemicals, machinery, building materials, food (US\$210 mn) and cash (US\$90 mn)
Iran	Uruguay	oil (value US\$100 mn)	beef (12,000 tons), rice (60,000 tons), butter (3,500 tons), poultry
Iraq	India	see above 'India-Iraq'	
Iraq	Jordan	oil	construction, airport services
Jamaica	Guyana	see above 'Guyana-Jamaica'	

DEPRESSION OF EXPORT COMMODITY PRICES

Countries		Commodities traded	
(1)	(2)	(1) ^a	(2) ^b
Jamaica	Yugoslavia	alumina (50,000 tons, value US\$8.1 mn)	building components and materials for low-income houses (1,500 units)
Jordan	Iraq	see above 'Iraq-Jordan'	
Jordan	South Korea	raw phosphates	participation in government procurement imports
Kenya	Thailand	beans	rice
Kenya	Yugoslavia	hides, skins, pyrethrum, tea, starch, sisal, canned pineapples, honey, fluorspar	manufactured and other consumer goods (US\$5 mn pa)
Libya	Turkey	oil (1.5 mn tons)	contractor services (US\$700 mn)
Malaysia	Brazil	see above 'Brazil-Malaysia'	
Malaysia	Burma	see above 'Burma-Malaysia'	
Malaysia	China	see above 'China-Malaysia'	
Malaysia	Egypt	see above 'Egypt-Malaysia'	
Malaysia	Pakistan	palm oil	rice (50,000 tons, US\$11.25 mln)
Malaysia	Thailand	palm oil (30,000 tons)	rice (35,000 tons)
Malaysia	South Korea	crude oil, refined palm oil, timber, electrical products, textiles	patrol boats
Malaysia	Yugoslavia	palm oil, pepper, tin, rubber, semi-finished products	electrical transmission and automation equipment
Mexico	Brazil	see above 'Brazil-Mexico'	
Mexico	Colombia	see above 'Colombia-Mexico'	
Mexico	Guatemala	see above 'Guatemala-Mexico'	
Nigeria	Thailand	oil (5 mn barrels)	rice (500,000 tons)
Nigeria	Venezuela	oil, light-weight	oil, heavy crude

THIRD WORLD QUARTERLY

Countries		Commodities traded	
(1)	(2)	(1) ^a	(2) ^b
Pakistan	China	see above 'China-Pakistan'	
Pakistan	Malaysia	see above 'Malaysia-Pakistan'	
Philippines	China	see above 'China-Philippines'	
Qatar	South Korea	oil	industrial construction work
Romania	Costa Rica	see above 'Costa Rica-Romania'	
Romania	Ecuador	see above 'Ecuador-Romania'	
Romania	Zambia	trucks	copper
Romania	Zimbabwe	urea	ferro-chrome ores
Somalia	Egypt	see above 'Egypt-Somalia'	
South Korea	Ecuador	see above 'Ecuador-South Korea'	
South Korea	Jordan	see above 'Jordan-South Korea'	
South Korea	Malaysia	see above 'Malaysia-South Korea'	
South Korea	Qatar	see above 'Qatar-South Korea'	
Sri Lanka	China	see above 'China-Sri Lanka'	
Tanzania	Mozambique	sugar cane, cocoa, beans, maize, textiles and garments	coffee, tyres, refrigerators, batteries, textiles (from stocks)
Tanzania	Zambia	use of Tanzanian railroads	foodstuffs
Tanzania	Zimbabwe	sisal products, cloves, clove oil, seafood	farm implements, coal, iron sheeting
Thailand	Bangladesh	see above 'Bangladesh-Thailand'	
Thailand	Kenya	see above 'Kenya-Thailand'	
Thailand	Malaysia	see above 'Malaysia-Thailand'	

DEPRESSION OF EXPORT COMMODITY PRICES

Countries		Commodities traded	
(1)	(2)	(1) ^a	(2) ^b
Thailand	Nigeria	see above 'Nigeria-Thailand'	
Upper Volta (now Burkina Faso)	Ghana	see above 'Ghana-Upper Volta' (now Burkina Faso)	
Uruguay	Iran	see above 'Iran-Uruguay'	
Venezuela	Brazil	see above 'Brazil-Venezuela'	
Venezuela	Nigeria	see above 'Nigeria-Venezuela'	
Yugoslavia	Jamaica	see above 'Jamaica-Yugoslavia'	
Yugoslavia	Kenya	see above 'Kenya-Yugoslavia'	
Yugoslavia	Malaysia	see above 'Malaysia-Yugoslavia'	
Yugoslavia	Turkey	ships	minerals and other raw materials (US\$130 mn)
Zambia	Romania	see above 'Romania-Zambia'	
Zambia	Tanzania	see above 'Tanzania-Zambia'	
Zimbabwe	Romania	see above 'Romania-Zimbabwe'	
Zimbabwe	Tanzania	see above 'Tanzania-Zimbabwe'	

^a supplied by country (1) to country (2)

^b supplied by country (2) to country (1)

Source: Helmut J Ferenz, *Special Transactions in Third World Trade*, August 1984

Rural development in an arid region: Xinjiang

Xinjiang Uygur Autonomous Region is the largest administrative unit in China. It covers a vast area of 1.6 million square kilometres, or 16.7 per cent of China's territory. The population, however, is small—less than 14 million people or 1.3 per cent of China's population. The region is remote and inhospitable and this accounts for the low population density.

Physically, Xinjiang is divided into three sub-regions. In the south is the Tarim basin, in the heart of which is the Taklamakan desert. The basin itself is surrounded by high mountains and the climate in the basin is very dry. The fringe of the basin, however, is speckled with oases which use the melted snow from the mountains to irrigate a large variety of crops. Kashgar, the largest oasis, is located in the extreme west of the basin and has an annual rainfall of 50–60 mm on average in a range of 10 to 100 mm.

The Junggar basin occupies the northern part of Xinjiang. It, too, has a desert at its centre, but the Junggar is less arid than the Tarim although it is considerably colder. Most of the basin consists of grassland and the main rural activity is livestock raising, mostly sheep, by nomadic and semi-nomadic pastoralists. The basin is bounded in the north by the Altai Mountains, on the west by a lower range of mountains and on the south by the Tien Shan.

The Tien Shan run from west to east across the whole of Xinjiang and divide the two basins from one another. The range contains peaks as high as 7,400 metres and many of the mountains are permanently covered in snow. These provide water for irrigating the Ili Valley in the west, the state farms around the regional capital, Urumqi, in the middle of the range, and the Hami and Turpan depressions in the eastern section of the range. The oases in the Turpan depression are especially noteworthy since the depression is 160 metres below sea level and is practically rainless, yet Turpan is a major centre in China for the production of grapes and melons.

Demographically, Xinjiang is typical of China as a whole in that a high proportion (68.4 per cent) of the population lives in rural areas.

RURAL DEVELOPMENT IN AN ARID REGION: XINJIANG

Table 1: Population and rural labour force in Xinjiang, 1984

1) <i>Population</i>	13,440,800
(i) Urban	4,242,400
(ii) Rural	9,198,400
(a) Pastoral	774,300
2) <i>Rural labour force</i>	3,797,900
(i) Agriculture, forestry, fishery and sidelines	3,018,300
(ii) Livestock	264,400
(iii) Collectively run enterprises	115,700
(iv) Construction	98,100
(v) Transport and communications	27,200
(vi) Trade, commerce and services	51,000
(vii) Other	232,200

Source: Xinjiang Academy of Social Sciences

About 60 per cent of the people are not Han, but members of minority nationalities, the great majority of whom live in the countryside.¹

Politically, Xinjiang is not a province but an autonomous region. This is advantageous for two reasons. First, the Regional People's Congress in Urumqi has the authority to devise local laws and regulations that reflect its peculiar characteristics and the interests of its various ethnic minorities, and, second, Xinjiang is eligible for special assistance from the central government. Some of the taxes collected in the region are retained for its own use instead of being passed on to the centre and special funds intended for construction and investment projects in border areas have been given by the centre. The central government has also given funds direct to the county authorities to use as they think best. In aggregate the central government currently provides about 1.6 billion yuan a year² in Xinjiang in the form either of direct investment in infrastructure or as grants and loans to regional authorities. This is equivalent to about half the capital formation in the region.

¹ The national minorities of Xinjiang include the Uyghurs, Kazaks, Kirgiz, Tajiks, Ozbeks, Tatars, Dongxiang, Daur, Xibe, Russians, Mongolians and Hui, the two most important in Xinjiang being the Uyghurs and Kazaks. Strictly speaking, the Hui are not an ethnic minority; they are of Han descent and speak Chinese and differ from other Han primarily in their adherence to Islam. Most of the ethnic minorities are culturally Muslims.

² The rates of exchange in the Summer of 1985, when the research for this study was conducted, were \$1 = 2.96Y and £1 = 3.93Y.

The structure of the economy

Although most of the people in Xinjiang live in the rural areas, only 43 per cent of the gross output value originates in agriculture; the rest is produced in the industrial and mining sectors. Within agriculture the broad composition of the value of output in 1984 was as follows:

crop cultivation	70.3%
animal husbandry	18.2%
forestry	3.2%
fisheries	0.2%
sideline production	8.1%

Sideline production, including village industrial enterprises, is about half as important as in the rest of China, reflecting the remoteness of the region and dispersed settlement pattern. At first glance, animal husbandry, at 18.2 per cent of gross agricultural output value, seems rather low, given that in China as a whole livestock products accounted in 1982 for 15.5 per cent of agricultural production. The comparison, however, is misleading because in most areas of China pig production accounts for a large part of the value of output in the livestock sector, whereas in Xinjiang, a Muslim region, pig production is unusually low. The most important livestock in Xinjian are sheep and goats, of which there were 24.4 million in 1983.

Grains (maize and, above all, wheat) dominate crop cultivation and account for 69 per cent of the sown area. Grain output per head is now 739 jin³ and is higher than the national average of 701 jin in 1982. Given this, and the fact that China is now self-sufficient in grain and, indeed, has a relative surplus and a grain storage problem, it would make sense for Xinjiang to consider reducing the area devoted to wheat and maize. Some land in the plains and villages, I believe, could be used for intensive, irrigated pasture and forage production, thereby making it possible to reduce somewhat the grazing intensity on natural pastures in the mountains. The mountain areas affected could in part be reforested in order to control erosion and in part allowed to rest in order to give the grass an opportunity to recover from over-grazing. In some areas the grasslands could be re-sown with improved grasses. In a few areas tourism, properly controlled, could be developed in parallel with an afforestation programme, thereby making it possible for more people to

³ 1 kg. = 2 jin.

enjoy the mountains, rivers, lakes and reservoirs which contribute so much to the beauty of Xinjiang.

The main cash crops are cotton, sugarbeet and various types of oil-bearing crops, eg, rapeseed, sunflower and sesame. Cash crops occupy just over 19 per cent of the sown area. The rest of the land (11.7 per cent) is used to grow a wide range of vegetables and fruits, of which grapes, melons, apples and pears are probably the most valuable. The cropping pattern, as is evident from the above figures, is biased toward low value, high bulk products and it clearly would be in the economic interest of Xinjiang to shift the composition of output in favour of crops with a more favourable ratio of value to weight. In effect this means switching on the margin from grains to fruit.

Such a shift in the cropping pattern, however, will require heavy investment in transport facilities, including air transport. High transport costs and the consequent economic isolation of the farming areas of the oases virtually force each sub-region within Xinjiang to be self-sufficient in basic foodgrains. Conversely, high transport costs make it very difficult to produce specialised, high value crops for large but distant markets. The result is that for every mu⁴ devoted to fruits and vegetables nearly seven mu are devoted to grains, despite the fact that agriculture is entirely dependent on expensive irrigation systems.

Be that as it may, the rate of growth in Xinjiang has been impressive. Historically a remote, isolated and economically backward region, in recent years Xinjiang has grown faster than the rest of China, most remarkably in agriculture,⁵ and has experienced rapid improvements in average living standards (see Table 2). Although, it is true, living standards still are much lower than those in the richer provinces and

Table 2: Rates of growth of gross output
(per cent per annum in constant prices of 1980)

	<i>Xinjiang, 1975-84</i>	<i>China, 1975-82</i>
Total Product	9.6	7.8
Industry	11.2	8.2
Agriculture	7.8	6.1

Sources: China: *Statistical Yearbook 1983*, State Statistical Bureau, 1983; Xinjiang: Institute of Economics, Xinjiang Academy of Social Sciences.

⁴ 15 mu = 1 hectare.

⁵ Over the long period 1950-84, agricultural output value in Xinjiang grew 5.63 per cent a year in constant prices.

municipalities of eastern China, the heartening thing is that agricultural incomes have risen relatively quickly and the difference between rural incomes in Xinjiang and elsewhere in China is rapidly disappearing.

The agricultural system in the oases

The rural population of Xinjiang is 9.2 million, including 1.8 million in rural townships. The rural labour force is 3.8 million, including those who work on state farms. There are about 774,000 people in the livestock sector or 264,000 workers. The rural economy of the region consists of three sub-sectors: the agricultural system of the oases, the state farms on land reclaimed from the desert and the pastoral economy of the semi-nomadic people.

In general the institutional arrangements within the oases are similar to those in the rest of China. Virtually all the production teams have switched to the household responsibility system and to production contracts. The communes have been converted to townships (*xiang*) and the brigades have largely disappeared. The teams continue to exist—although they are often called ‘villages’—and in addition to administering the contract quotas, they maintain the collective accumulation and welfare funds.

The largest oasis in China is the Kashgar prefecture and, despite its size, it is fairly typical of most oases in Xinjiang. The prefecture covers 11 counties and the city of Kashgar (or Kashi). The population is 2.31 million, of which 1.84 million live in rural areas and 470,000 in urban areas. Rural income per head in 1984 was 213.57 yuan.

Agriculture is dependent on irrigation water obtained from melted snow that is transported by rivers and canals from the Pamir Mountains. The total cultivated area is 6.6 million mu, 95 per cent of which is irrigated. The cropping ratio is low, viz. 1.09, indicating that only 9 per cent of the land is double cropped, the rest yielding a single harvest in the summer. The sown area is thus 7.2 million mu. Nearly 70 per cent of this area is devoted to grains (wheat and maize) and 19 per cent to cash crops (mostly cotton). Relatively little land is used to grow fruit, melons and vegetables. The reason is that it does not pay to do so: fruit is in surplus, there are few food processing factories and lack of transport makes it difficult to ship fresh produce to markets outside the prefecture.⁶

⁶ In the whole of Xinjiang there are only 800 km. of railway and 23,000 km. of roads. Transportation clearly merits the high priority it has been given in the most recent economic plan.

The prefecture contains 36 million mu of pasture which supports four million head of livestock, mostly sheep. It thus requires 9 mu to support one animal. Given that most of the pasture is unirrigated this is not a high ratio for an arid region, but the intention should be to increase the amount of irrigated pasture, thereby permitting an increase in herd size and an improvement in breed quality. Additional water for irrigating pastures could be made available, as we shall see, by a more economical use of existing supplies.

Livestock in Kashgar are closely integrated into farming. Four-fifths of the animals are owned by farmers who support their small flocks from the grasslands allocated to them, from controlled foraging in the forest areas and from wheat straw. A little more than 10 per cent of the animals are raised under semi-nomadic conditions, summer grazing in the mountains alternating with winter grazing in the plains. This general pattern is characteristic of livestock in the Tarim basin, and differs considerably from the nomadic patterns more common in the northern parts of Xinjiang.

The oases of the south are large, isolated, self-sufficient economies that revolve around grain and livestock. Kashgar produces all the grain it needs, imports about 12 per cent of its meat (mostly pork for the non-Muslim population) and exports cotton. Very few other agricultural products are either imported or exported to other centres.

Two elements operate as constraints on accelerated development. The first, as we have already emphasised, is transport and marketing. The second is the availability of water for irrigation. This, in turn, can be divided into two components: the size or capacity of the irrigation system and the efficiency with which a given supply of water is used.

The irrigation system of Kashgar consists of 102 reservoirs of all sizes plus 30,000 km. of canals of four different sizes. The main purpose of the reservoirs is to reduce the seasonal imbalance in the demand and supply of water. The peak demand for irrigation water is during the spring when 40 per cent of the annual requirement occurs. Yet only 12 per cent of the yearly supply of water is available in the months of March to May; 64 per cent is available in the Summer (June–August), 18 per cent in the Autumn (September–November) and 6 per cent in the Winter (December–February).

It is estimated by the prefecture authorities that there is a shortfall of 1.7 billion cubic metres of water. During the next few years, however, it is planned to build four new reservoirs. In addition, there are plans to

construct eight large drainage canals which should help to combat the problem of soil salinity.

Meanwhile, steps can be taken to use the existing water more efficiently. In general, the management of the irrigation system appears to be very good. There is no problem, common in other countries, of farmers located conveniently at the head of the system getting more than their share of water or of the richer farmers obtaining extra supplies of water through bribery.

Water is distributed throughout the system in proportion to land area, starting at the level of the prefecture and going down through the county and *xiang* until one reaches the village (or production team). At the village, particularly in the Spring when water is scarce, two persons are selected by the votes of all members of the village to oversee the distribution of water and the management of the irrigation system. Water, thus, remains under unified collective management. Irrigation water typically is allocated among households in terms of time (eg one hour of irrigation) and in proportion to the area farmed.

Management problems become more complex, however, when private wells are combined with communally owned irrigation facilities. In Turpan, for instance, about 100 wells have been dug by households and this has created a conflict of interest between the private and public sectors. Until now China has not needed a water law to regulate the private exploitation of ground water, although ground water is a public resource analogous to a common resource. However, problems have emerged in Turpan which have brought this issue to the attention of the authorities. Quite often, apparently, privately owned wells either have been placed too close to publicly owned ones and have lowered the water table or they have been drilled too close to the *qanats*⁷ and have had the same consequence. Regulations to prevent this do not at present exist and it is important to remedy this deficiency quickly before serious damage is done to the entire irrigation system.

Technically, the most obvious way to improve efficiency in the use of existing irrigation water is to reduce the amount of water lost by seepage from the canals. At present only 30–37 per cent of the water in the canals

⁷ *Qanats* (also called *kanats*, *karjin* or *karez*) are underground tunnels which carry irrigation water from the Tien Shan to the Turpan depression. There are 3,500 km. of *qanats* in Turpan, with an average length of tunnel of 3 km. They are the single most important source of water in the region and date back hundreds (perhaps a thousand) years. *Qanats* are also found at Hami and Yanqi in Xinjiang, but half of China's *qanats* are in Turpan. Iran, of course, is famous for its *qanats* and it is possible that this system of irrigation was imported into China from Iran.

system ultimately is used for irrigation; the rest disappears through evaporation and seepage. The main problem is that most of the canals are unlined earth ditches, and in these canals up to 90 per cent of the water is lost through seepage. In stone- or pebble-lined canals the seepage rate falls to 60 per cent and in the new plastic-lined canals the seepage rate is only 20 per cent. The immediate objective of the authorities is to raise the water use rate to 45 per cent, primarily by lining the general and main irrigation canals with thin sheets of plastic. This supplements, but does not supersede, traditional techniques for controlling seepage, namely, planting grass, willow trees and poplars along the banks of the canals.

An economic instrument also exists that can be used to encourage an efficient use of water, viz., water charges. At present, unfortunately, this instrument is of little significance. Indeed, water charges in Xinjiang are the lowest in China and Kashgar's charges are the lowest in Xinjiang. We thus have a paradoxical situation in which the greater the scarcity of water, the lower the charge for using it! There is almost no financial incentive in Kashgar for farmers to economise on their most precious resource. The water fee today is equivalent to about 1.5 per cent of the value of the gross agricultural output produced in the irrigated areas. This fee generated a total revenue of 6.1 million yuan in 1984, a sum that covered only 81 per cent of the running costs of the prefecture's irrigation service;⁸ no contribution was made toward the amortisation of capital. A similar situation exists elsewhere in Xinjiang.

Peasants were accustomed to paying much higher charges in the past. Before Liberation in 1949, Turpan was dominated by water-lords, and the cost of irrigation was at least four to twenty times higher than it is today. It is not suggested that water fees should be raised to pre-Liberation levels, but it is evident that present charges are too low to discourage farmers from wasting water.

Control of the desert

One quarter of Xinjiang is true desert and much of the rest is arid. A precondition for rural development therefore is control of the desert.

⁸ The prefecture's current expenditure in 1984 was as follows:

Wages and salaries	4.7 million yuan
fuel and materials	0.8
repairs and	
maintenance	2.0
Total	7.5

Alas, for many years the desert appeared to be out of control in Xinjiang. True, the amount of arable land increased from 15 million mu in 1949 to 48 million in 1985, but a third of the land suffered from salination and the problem seemed to be getting worse. In addition, 8 million mu became hard baked or heavily eroded. Finally, the forest cover contracted steadily and today accounts for only 1.1 per cent of the land area or 26.8 million mu. Xinjiang's problems, in other words, were not very different from those of other arid and semi-arid regions in other parts of the world.

The basic cause of desertification was of course the neglect of forestry. In the early years after Liberation few trees were planted, perhaps only 10,000 mu per annum, and by 1982 the problem of deforestation was very serious. It was then that a massive tree-planting programme was launched. By 1984 the programme was in full stride and 600,000 mu of forest was planted. This is the rhythm the region plans to maintain for at least the next fifteen years, and most officials are confident that in practice the target will be exceeded. Assuming the target is achieved, then by the end of this century Xinjiang will have 36.5 million mu of forest accounting for 1.5 per cent of the total area of the region.

In the past, tree planting was the responsibility either of the state farms or of the production brigades of a commune. Today, however, most of the trees are planted and cared for by individual households. The overall plan is drawn up by the Forestry Bureau of the Regional Government and this is then sent to the county governments, which are responsible for information and propaganda. Disaggregation occurs further at the township level and actual implementation at the level of the village or production team. Within the village each member of the labour force is expected to plant three to five trees a year voluntarily. Households supply their own saplings or seedlings, although in the case of very poor households these are supplied free of charge by the state. The death rate among new trees is quite low: only about 20 per cent die within a year of planting.

The most successful tree-planting programme in Xinjiang is in the Kashgar prefecture. Over the entire period since Liberation in 1949, about 1.4 million mu of natural forest have been destroyed, but 3 million mu of artificial forest have been planted, giving a net gain in the prefecture of about 1.6 million mu.

The total forest area of Kashgar is 5 million mu. This can be divided into several categories as follows:

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natural forest	2.0 million
windbreaks	0.7
fuel forests	1.0
orchards	0.6
anti-erosion forests	0.6
timber forests	0.1

This division is a little artificial since many forests serve multiple purposes, but it is clear from the data that the tree-planting programme recognises explicitly the need of the rural population for wood as fuel and it also recognises the connection between the provision of fuel and the control of the desert.

The success in Kashgar in mobilising 'voluntary' labour for tree planting on such a massive scale rests, in my judgement, on three pillars. First, communal institutions exist and are strong enough to organise the work force at the local level.

Second, the prefecture's Forestry Department provides technical assistance and, when necessary, the seedlings. Most important, it makes a modest cash payment to households for 'volunteering' their labour. In other words, there is a small monetary incentive to plant trees.⁹

Third, those who plant trees derive long-run benefits from their labour. Under the responsibility system, once the trees are planted their care is entrusted to individual households; these households then have the right to use the trees on an agreed basis, whether as a source of fuel, or timber, or fruit or foraging by livestock. Thus there is a direct link between effort and reward.

The oasis city of Turpan, with a population of 190,000, is protected by trees from the desert. There is an immense belt of trees five kilometres long and forty trees thick designed to protect the city from the strong north-western winds and sand storms that rain upon it during the winter months. In addition, 12,000 mu of shrubs (about five feet high on average) have been planted in the plains to fix the sand and 30,000 mu of tall trees (mostly poplars) have been planted around the sides of farms. It is intended to plant another 28-30,000 mu of trees during the next

⁹ Forests which are intended to be used jointly for fuel and feeding livestock have a planting density of 60 trees per mu. These forests often consist of plantations of Chinese 'date' trees. Sheep and goats are allowed to graze on the grass growing beneath the trees and on the leaves and 'dates' which fall on the ground in the Autumn. Wood from the trees is used for cooking. Such a forest would be irrigated three times a year, mostly in the Winter, with water surplus to requirements for crop cultivation.

fifteen years. The planting is organised by the township but the actual planting is done on a voluntary basis without remuneration.

Once the trees are planted their care is ensured in a variety of ways. In some cases specialised teams or households are created whose main task is to look after the trees and whose livelihood comes to depend on fee income earned from managing collectively owned forests. In other cases, a household enters into a contract to look after collectively owned trees. The contract would specify the number of trees (eg 10,000) and the year when they could be felled for timber or fuel (usually three to five years after planting). At the time of felling the household would pay one yuan per tree to Turpan city, who supplied the tree at that cost, and then divide the remaining sales receipts between the collective and itself in the ratio 40:60. In another variant, the collective (or state) instead of receiving 40 per cent of the net proceeds, receives a fixed sum to be paid at the time of felling. As part of the contract, the household would be required to replant the forest.

The city authorities carefully supervise those entrusted with protecting the forest. Permission must be obtained before trees can be felled and replanting is mandatory. The timing of replanting, the varieties planted and the frequency of watering are all controlled by the local government. Unauthorised destruction of trees is severely punished by fines. In addition, those guilty of such vandalism are subjected to public criticism and humiliation.

Quite apart from the oases, the state farms, particularly those located on the edge of the Tien Shan, have played an important role in reclaiming land from the desert and increasing the area under cultivation. A number of techniques have been developed since the work of reclamation began in the 1950s, but the most successful seem to entail constructing a wide zone of transition separating the desert proper from the cultivated fields. This zone of transition can itself be divided into several sub-zones.

Starting on the edge of the wilderness we have the desert of the Junggar basin, consisting of pebbles, sand and a few low sand dunes. The first sub-zone contains a belt of drought-resistant plants. These have been deliberately seeded but the plants are not watered: no one is allowed to gather fuel in this sub-zone nor are animals allowed to graze here. Next comes a belt of bushes, often tamarisk, which is planted to stabilise the sand. The vegetation in this sub-zone is irrigated once a year, usually in the winter. Behind this sub-zone of bushes and sterilised sand is a thick belt of trees, mostly poplars, which acts as a massive

windbreak and protects the land that is cultivated. The trees in this sub-zone are irrigated four times a year.

The cultivated fields sheltering behind the forest belt have, of course, been levelled and are served by a dense network of irrigation canals. Small windbreaks normally are interspersed among the fields and planted alongside the roads and canals. The area reclaimed from the desert by state farms in this way often is enormous. State farm No. 150 in the Shihezi region, for example, from which the above description is derived, covers an area of 231 km². It contains a forest area of 109,000 mu protecting a sown area of 160,000 mu and 1,183 km. of irrigation canals.

In some parts of Xinjiang attempts to reclaim the desert and expand the area under grain cultivation were carried too far, with the result that soil erosion, salination and desertification actually increased. This error is now recognised and efforts are being made to rectify the situation by converting some marginal grain land into grasslands or forests. In Kashgar prefecture, for instance, 60,000 mu of land formerly used to grow wheat was converted in 1985 into forests and orchards; another 60,000 mu of wheat is planned to be converted during the next four years.

Reforms on the state farms

There are more than twice as many state farms in Xinjiang, viz. 320, than in any other region of China, although the area cultivated (1.05 million ha.) is only 54 per cent as large as the area in Heilongjiang. The farms were started in the 1950s with the purpose not only of reclaiming the desert and expanding the area under cultivation but also of increasing population density in the sparsely settled regions along China's sensitive borders with the Soviet Union. The farms were organised by the army along military lines—with companies, divisions, etc.—and the workers were paid cash wages like any other employee of a state enterprise.

Living conditions in the first few years were harsh and uncomfortable, with workers living in tents or in pits dug in the ground, in remote, isolated areas with few services or amenities. In the 1950s many of the workers were ex-soldiers who settled in Xinjiang; then, during the period of the Cultural Revolution, many youths from the large metropolitan areas of eastern China were sent to work on the state farms; more important than both these groups, however, were peasants from other poor but densely settled regions of China. Over the last

Table 3: Land use in Kashgar Prefecture, Xinjiang
(million mu)

<i>Cultivated land</i>		6.6
irrigated	6.3	
unirrigated	0.3	
<i>Pasture</i>		36.0
natural pasture	33.8	
irrigated pasture	2.2	
<i>Forest</i>		5.0
natural forest	2.0	
artificial forest	3.0	
Total		47.6

Notes:

- (1) Only 0.6 million mu are double cropped. The sown area therefore is 7.2 million mu.
 (2) The total irrigated area is 8.5 million mu.
 (3) The grand total may contain some double counting because some of the irrigated pastures also contain trees and the land is jointly used for forestry and grazing.

thirty years, about a million peasants were moved to state farms in Xinjiang.

The organisation of the state farms remained more or less unchanged until about 1979, when reforms in the commune system throughout China began to affect thinking in the state farm sector. In the Shihez region, for example, contracts with individual companies, platoons or sections were introduced in 1979. Three years later, in 1982, the sections were sub-divided into groups and the state farm entered into contract with them. Most workers, however, still received a fixed wage equivalent to 80–90 per cent of their total income and only the residual 10–20 per cent depended on the output performance of the group. In 1983 the system was refined further and wages were linked entirely to output.

The reforms were carried a major step forward in 1984 when throughout China, the state farms were broken up into groups of household farms and agricultural wage workers were transformed into peasant cultivators or herdsmen. The nature of the contract varied slightly from one farm to another and from one economic activity to another, but the broad general outlines are clear.¹⁰

In the settled agricultural areas, contracts may be (i) with a single

¹⁰ The information in the text is based on practices followed by the Agriculture, Industry and Commerce Federation General Corporation of China, an umbrella organisation responsible for 160 state farms in Xinjiang.

household for a minimum of 50–100 mu per worker or (ii) with a small group of three or four workers for 500 mu of arable land or (iii) with a large group of, say, ten workers for anything between 1,500 and 20,000 mu depending on the nature of the land. The output quota typically is 90 per cent of the average of 1981–3 and is expected to be adjusted every five years. All output above the quota is kept by the household or group farm and once the quota is fulfilled the farmers are free to grow any other crop they want. Security of tenure is guaranteed for fifteen years. Finally, in addition to the contracted land, each household is allocated two or three mu for a private plot and house space.

In the livestock sector the arrangements are slightly different. The state farms usually do not sell the livestock to herders but simply entrust them to their care. The herdsmen are responsible under contract for meeting a quota of wool, skins, meat, etc. The households or groups are assigned a specific area of pasture in the hope that they will then have an incentive to improve the pasture by planting grass or trees and, where possible, irrigating the land with seasonally surplus water. In the good pasture areas the contract is drawn up in such a way that the state farm receives about 40 per cent of the output and the herdsmen 60 per cent. In very poor areas, however, the state farm may take nothing.

Some households, mostly ethnic minorities, specialise completely in raising animals for the state farms. The majority of households, however, particularly the Han, who are a farming people, prefer to concentrate on cultivating crops and regard livestock as a secondary activity. Such households often join together with similarly minded households to form a group to assume joint responsibility for a flock.

Finally, there are the contracts in areas being reclaimed from the desert. In these areas the state provides the roads, irrigation facilities and electric power and the individual household provides everything else. All output from newly cultivated land is kept by the household for the first three years. Thereafter the state receives a portion, the exact amount depending on the condition of the land.

The directors of farms have considerable discretion as how best to implement the reforms and this leads to variation in the degree of control exercised by the centre. For example, most land is distributed on an equal per labour force basis, but some farms (eg. state farm No. 150) allocate land on an equal per capita basis. Similarly, most directors encourage households to form groups or cooperatives in order to permit greater diversification of output and to spread risks, but some directors

are more sympathetic to small family farms. Again, most contracts now are fairly simple, concentrating on the output quota, but in a few cases (eg, state farm No. 121) the contract is very detailed, specifying not only the output quota, but also the type of seed to be used, the area of land to be cultivated, the amount of fertiliser and irrigation water and even the use of machinery. These detailed contracts are necessary, it is argued because many of the workers on state farms were highly specialised and lacked general farming knowledge and hence required careful guidance during the early years of the reform.

Lastly, the control of farm machinery varies. Some state farms continue to own and operate the major pieces of equipment; others have formed a specialised machine team or group which manages the equipment for the state under contract; while still others have sold machines to individual households or groups of households working as a cooperative. In all cases, however, the state farm is responsible for planning production of the major crops, setting output quotas providing technical assistance, transport and marketing services and managing the irrigation system. What it no longer does, and this is fundamental, is engaged in direct cultivation. In this sense, state farms no longer exist; they have been replaced by family farms and small cooperatives.

It is too early to reach a definitive judgement, but it appears that the reforms have contributed to a rapid rate of growth of agricultural output. The 18 state farms in the Shihezi region, for example, grew 11.1 per cent in 1984, the year after the reforms were completed, as compared to 8.0 per cent per annum in the period 1978-83. One year does not of course prove very much, but at least the outcome was encouraging. Similarly, average per capita income on the 160 state farms mentioned in footnote 10 rose from 460 yuan in 1983 to 570 yuan in 1984, in constant price terms, or by 23.9 per cent. Again, this is an encouraging outcome.

The effects on the distribution of income are less certain. The indications, however, are that inequality on the state farms has increased. First, the people on the state farms were workers, not peasants, and most workers had little if any experience of farm management. The specialised workers in particular sometimes found it difficult to adapt to their new role as all-round farmers and required special assistance. This, to be sure, is likely to be a problem during the transition only, and it should disappear in the long run, but meanwhile some households will experience a fall in their real income. Second

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Table 4: Income per member of the labour force, Shihezi Division No. 8, 1984 (yuan)

<i>State farm number</i>	<i>Contract income</i>	<i>Private income</i>	<i>Total income</i>
121 ^a	932	19.41	951.41
122	1140	129.91	1269.91
132	780	83.30	863.30
133	602	62.14	664.14
134	841	404.60	1245.60
135	875	25.19	900.19
136	579.80	170.69	750.49
141	783	434.78	1217.78
142	706	73.62	779.62
143	859	302.39	1161.39
144	973	370.58	1343.58
145/6	925	341.09	1266.09
147	928	994.25	1912.25
148	261	190.11	451.11
149	539	286.86	825.86
150 ^a	681	147.47	826.47
151 ^a	969	480.87	1449.87
152	1296	444.92	1737.92
Unweighted average	814.99	275.51	1089.94
Weighted average ^b	784.70	232.76	1017.49
Range	4.97	51.22	4.24
Coefficient of variation	0.28	0.83	0.34

Notes:

^a Farms visited by the author.

^b Figures weighted by size of the labour force.

Source: Data kindly supplied by Mr Liu Cheng Zhi of the Policy Research Centre, Shihezi.

given that land usually was distributed on an equal per worker basis, rather than on an equal per head basis as in most communes,¹¹ existing inequalities would tend to be consolidated rather than reduced. Third, there are frequent reports that while 80 per cent of the people on state

¹¹ See Keith Griffin (ed), *Institutional Reform and Economic Developments in the Chinese Countryside*, London: Macmillan, 1984.

farms have experienced a substantial increase in income, about 20 per cent have suffered an absolute fall in their standard of living. Given that average incomes have risen, this almost certainly implies a less equal distribution around the average.¹²

Even so, the distribution of income within a state farm tends to be very equal. Moreover, where inequality is thought to be a problem, directors sometimes attempt to control inequality by adjusting a household's quota, as on state farm No. 121, or by adjusting the quotas of groups of households, as on state farm No. 151. Differences among state farms also appear to be relatively modest. The eighteen state farms in District No. 8 of the Shihezi region, for instance, tend to cluster within a fairly narrow range of incomes, as can be seen in Table 4.

Workers supplement their contract income with private income. Table 4 indicates that average private income is 232.76 yuan and accounts for 22.9 per cent of total income. The range of private incomes, however, is enormous and this component of total income is distributed very unevenly, as indicated by the high coefficient of variation. Unevenness in the distribution of private income, however, appears not to be reflected in unevenness in the distribution of total income. On the contrary, the range of total income is slightly smaller than the range of contract income and hence there is a hint in the data that in the Chinese institutional framework the existence of income-earning opportunities outside the collective sector may help to reduce inequality in the overall distribution of income.¹³

The pastoral economy

The pastoral economy of Xinjiang revolves around sheep, which account for two-thirds of all livestock. Next in importance come goats, followed by cattle and then horses and donkeys. In 1984 there were nearly thirty million animals in the region divided as follows:

¹² Most of the losers, however, were specialised workers and if they were paid more than the average worker, a fall in their income could conceivably be associated with a reduction in inequality. This seems to me to be rather improbable considering the narrow wage differentials one finds in China.

¹³ This hypothesis was first advanced when analysing the distribution of income in the commune sector. See Keith Griffin (ed), *op. cit.*

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sheep	20.00 million
goats	4.00
cattle	2.80
horses	1.00
donkeys	1.00
camels	0.16
pigs	0.70

Most of these animals, excluding the pigs, graze on natural pastures, of which there are 700 million mu suitable for grazing.

The pastoral economy is semi-nomadic. That is, the household often has a permanent base where the women and children live, but the menfolk and older boys move with the herds in well-established seasonal patterns. These patterns usually contain three grazing areas: one pasture used in the Spring and again in the Autumn, a Winter pasture and a Summer pasture. In some areas the distances covered can be vast. In Fu Yun county in the Altai region, for instance, the herds are moved about ninety times in the course of a year and travel 800–1,000 km.

The livestock economy is very extensive in its use of land and is fairly well adapted to the environment of Xinjiang. Productivity, however, is in general very low. One reason for this is an imbalance in the seasonal availability of pasture. The scarcity is partly due to natural conditions and partly to policy mistakes which resulted in grasslands being converted into wheat fields. As one authority has forcefully put it: 'In recent years, many fertile rangelands were blindly reclaimed for planting, and as a consequence the shortage of Winter–Spring seasonal pastures became acute.'¹⁴

Possible solutions to the problems of the livestock sector include (i) permanent settlement of herdsmen in towns, (ii) reconversion of marginal grain land into pastures and (iii) increased output from the existing resources employed in the sector.

Permanent settlement of the nomadic population may be a long-term solution, but for the time being it is unrealistic. An attempt forcibly to settle, say, half a million pastoralists would almost certainly lead to a decline in output in the sector and a fall in income of the pastoralists. Conversion of marginal grain land back to grazing land certainly is feasible and in fact is agreed policy. So far, however, reconversion has

¹⁴ Shen Chang-jiang, *Pastoral Systems in Arid and Semi-Arid Zones of China* (Pastoral Network Paper 13b) London: Overseas Development Institute, January 1982, p 11

been on a relatively small scale and it probably would be sensible to expand the programme considerably. It must be accepted, however, that even a large reconversion programme would not markedly alter the prospects for the livestock economy. A major improvement depends upon changes within the sector itself, and it is these changes which the economic reforms hope to encourage.

The keystone of the economic reform of the pastoral economy is the transfer through sale of livestock from collective to private ownership. Beginning in 1978, the collective units have distributed their animals to individual households on the basis of publicly agreed criteria. In most cases animals have been allocated among households in accordance with the size of household, on an equal per capita basis. In a few cases, however, allocation has been according to the size of the labour force in the household. Occasionally, too, a commune has adopted a combination of the two criteria. These reforms were virtually completed in 1984. It is noteworthy that the allocation criteria almost certainly imply a reduction in inequality among the pastoral population. The reason for this is that prior to the reforms a household's collective income was derived from work points earned by its able-bodied workers. Today, however, to the extent that livestock are allocated on a per capita basis, a household's income from grazing is a function of its total size rather than the size of its labour force. The price at which livestock are sold to households is higher than the price at which the communes could sell animals to the state but lower than the price at which households can purchase animals in the free market.

The average size of herd received by households has varied enormously from one part of Xinjiang to another. The average per household is about 100 head, but the maximum is more than 500. At the other extreme some households received as little as four animals per person, especially when the household also engaged in farming and regarded livestock as a minor activity. Predominantly pastoral households seldom have fewer than fifty animals. Once the initial distribution of collective livestock was completed, households were free to buy and sell animals as they wished.

The grasslands remain under collective ownership. Each household, however, is allocated several pieces of pasture land—one in each seasonal location—for which it is responsible under contract. The amount of land received by each household depends on the size of its herd. The location of each household's pieces of land—an important consideration in a semi-nomadic society—is decided by the collective in

public discussion. Often groups of households pool their land and manage their herds as small cooperatives and in this way they are able to take advantage of economies of scale in grassland management and improvement schemes.

The reformed livestock sector thus has three levels of organisation and ownership. The animals are privately owned by households. The pastures, although allocated to individual households, in practice frequently are managed by cooperatives, while the land itself continues to be collectively owned.

The contract between a household and its collective has two parts. First, the household must pay to the collective one or two yuan a year for each sheep or other animal it owns. This is intended to cover the collective's tax liability and its management costs and to sustain the collective accumulation and welfare funds. Second, the household is required to sell to the state 7–8 per cent of its animals each year at the state purchase price. The state marketing rate is not fixed, but is determined periodically after discussion between state organs (at region, county and township levels) and, ultimately, households. Statistically, the gains have been impressive. The number of animals has increased from 24 million in 1978 to 30 million in 1984, an increase of 25 per cent in six years. The average weight of a sheep during the same period rose from 13 kg. of dressed meat to 15 kg., a rise of 15 per cent. The marketing rate increased by nearly a third, from 9.9 per cent in 1978 to 13 per cent in 1984, and the marketing rate of livestock sold on the free market (where prices are much higher) rose from 2–3 per cent to 5–6 per cent, ie, it probably doubled. As a result of these changes, living standards among the pastoral population have increased considerably and the acute poverty that once afflicted the nomadic people is rapidly disappearing.

Conclusions

Xinjiang demonstrates that arid regions are not necessarily condemned to poverty and backwardness. Its experience shows yet again that deserts are partly man-made. Poor economic policies, neglect and abuse of the natural environment, can lead quite quickly to erosion, degradation of the soil, destruction of the forest cover and even micro-climatic change. Happily however, Xinjiang also shows that these processes can be reversed. It requires enormous effort and

progress inevitably is slow, but the desert can be reclaimed and a viable and prosperous economy created.

The success in Xinjiang is due in part to support from the central government, and particularly to the generous provision of resources necessary to sustain high rates of investment in mining, transport, power and irrigation. The institutional arrangements that have evolved in recent years all appear to have been successful. Households are now responsible for farming throughout most of the region, but communal institutions still exist and seem to function reasonably well. They are particularly important in managing irrigation systems and ensuring an equitable distribution of water and, as voluntary cooperatives, in managing collectively owned pasture land.

Clearly, from the point of view of efficiency and growth, the current economic policies are superior to those, say, of the mid-1970s. Growth, however, is not the only consideration, although it obviously is an important one. We are interested, too, in poverty and inequality.

In China as a whole we know that in the period 1978 to 1984, the real income of peasants rose very much faster than the real income of workers, viz., 15.0 per cent per annum as compared to 8.2 per cent. As a result, rural-urban inequalities diminished sharply.¹⁵ Even so, the overall distribution of household income became less equal, although the degree of equality in China remains very great compared to most other Third World countries. Official data indicate, for example, that the Gini coefficient[†] for household income rose from 0.237 in 1978 to 0.264 in 1984.¹⁶

Table 5: The distribution of income among households
(Gini coefficients)

	1978	1984
Peasants	0.250	0.288
Workers	0.185	0.169
All households	0.237	0.264

Source: Li Chengrui, 'Réforme du système économique et amélioration du niveau de vie', *Beijing Information* 23(29) 22 July 1985.

¹⁵ Li Chengrui, 'Réforme du système économique et amélioration du niveau de vie', *Beijing Information* 23(29), 22 July 1985, pp 18-24.

¹⁶ Note, however, that the coefficients refer to total household income not income per head. If households with large incomes also tend to be households with a relatively large number of members, as seems likely, the coefficients in the text exaggerate the degree of inequality among persons. It is less likely, however, that changes in the coefficients are misleading as to trends in inequality.

[†] A measure of the degree of inequality.

Within the urban areas the wage reforms seem actually to have reduced inequality among households of workers, but inequality among peasant households increased during the six-year period¹⁷ and it is this that accounts for the rise in the overall Gini coefficient.

Unfortunately, it is not possible to be precise about trends in the rural areas of Xinjiang. As indicated above, it is likely that in the pastoral economy the economic reforms have contributed to a reduction in inequality. On the state farms, in contrast, inequality has probably increased. Not every state farm worker has proved to be a good peasant farmer and consequently the income of some households has fallen considerably. The result, inevitably, has been a greater variation of incomes around a higher average level of income.

The situation in the oases is even more complex. Collectively owned land was distributed among members of communes largely on a per capita basis and hence the initial impact of the reforms was strongly egalitarian. Recently, however, the rules governing employment of labour by households and private accumulation of the means of production have been relaxed and this has created opportunities for enterprising households to establish large and sometimes very profitable businesses.

For example, one household visited in Turpan established a grape-canning factory in July 1985. At the time of our visit in September there were eighty employees, with an additional twenty employees expected to be hired in the near future. The design capacity of the factory was 100,000 jars of grapes a day and the planned profit was 300,000 yuan a year. This, obviously, was an unusual and perhaps even unique case. It is significant, however, in that large private factories are now allowed, whereas previously factories of such a size would have been organised as a cooperative.

High private profits from factories owned by households will, of course, result in a few very high incomes at the top end of the distribution. The profits mentioned above are truly exceptional, but rich peasant households—in the so-called 10,000 yuan households—are

¹⁷ Li Chengrui, *op cit*, does not contain Gini coefficients for peasant households. We have therefore inferred the values using the formula

$$G_t = 0.2G_w + 0.8G_p,$$

where G = Gini coefficient and the subscripts t , w and p refer to total, worker households and peasant households, respectively. (Note that in 1982, 20.8 per cent of the population lived in urban areas.)

Table 6: Measures to reduce poverty in Turpan

<i>Type of assistance</i>	<i>Amount of assistance</i>	<i>Number of beneficiary households</i>
(1) Increase production		
(i) Cotton and wheat seeds	110,000 jin	900
(ii) Fertiliser	70 tonnes	370
(iii) Small agricultural implements	n/a	300
(iv) Sheep	400 head	100
(v) Donkey carts	900 carts	900
(vi) Interest-free loans	300,000 yuan	n/a
(2) Maintain consumption		
(i) Food grains	300,000 jin	Enough to support fully 750 persons
(ii) Cloth	60,000 yuan	n/a
(iii) Free medicines and medical care	n/a	1,470
(iv) Excused payment of agricultural tax and contribution to collective accumulation and welfare funds	n/a	1,470

not uncommon, and their presence is a clear signal that greater average prosperity has been accompanied by greater inequality.

One must be careful, however, not to exaggerate the changes that have occurred in the distribution of income. Dramatic gains by a tiny minority of very prosperous households are highly visible, whereas improvements at the bottom end of the distribution can easily be overlooked. The community still assumes responsibility for meeting the basic needs of all families and the five-guarantee programme[†] still operates. Moreover, the level of support to poor households has been increased broadly in line with the rise in average incomes.

A distinctive feature of Chinese policies to combat poverty is the emphasis placed on increasing the production potential of households; relatively less emphasis is placed on transfer payments designed to maintain the level of consumption. Consider, for instance, the case of Turpan city (see Table 6).

As can be seen in the table, assistance given to 'difficult households' to increase production took several practical forms, and not listed, from August 1985 the city decided to give members of 'difficult households' priority in employment in state enterprises and, additionally, to help 'difficult households' to transform themselves into 'specialised households'. The objective of the city is to solve the problem of poor households within two years.

The final impression, thus, is that in Xinjiang the economic reforms have been accompanied by some increase in inequality in the rural areas, particularly on the state farms, but the incidence of poverty has clearly declined. Compared to other arid regions in the world, above all, of course, to the arid regions of Africa, Xinjiang has done exceptionally well. Where many countries have experienced agricultural stagnation, declining incomes of the peasantry and mass famine, Xinjiang has enjoyed rapid rural development. Success has owed little to the generosity of nature. Indeed, in few places on earth is the natural environment less promising or the achievements more impressive. Xinjiang shows that a prosperous countryside can be created under unfavourable circumstances and this demonstration can be a shining example to many millions of people everywhere.

[†] These are: 1) adequate nutrition 2) sufficient clothing 3) shelter 4) basic education 5) a decent burial.

Dependency, land and oranges in Belize

Logwood, mahogany and land tenure¹

Lacking mineral resources and concentrated centres of population, and placed ambiguously between the jurisdictions of the Captains-General of Yucatán and Guatemala, Belize in the mid-seventeenth century was of little interest to the Spanish colonial empire. It therefore formed a perfect base for British buccancers raiding Spanish shipping. After the 1660s the settlers turned their efforts to the exploitation of logwood, a large shrub much in demand by the European wool industry for use in dyeing, which commanded a price of £100 per ton.²

The Spanish Crown finally recognised the right of the settlers to cut logwood in 1763, by which time the enterprise was in decline due to overstocking in Europe. The 'Baymen', as the settlers were known, turned instead to mahogany logging. The Convention of London of 1786 recognised the claim by the Baymen to exploit mahogany as well as logwood (within territorial limits which in practice were already being ignored) but precluded permanent settlement or agricultural production.

The first logwood cutters determined land ownership by 'location', by which they meant simple occupation of a plot of land. When greater formalisation became necessary in 1767, a Public Meeting agreed that locating a hut in an uninhabited logwood area, invariably on a river since there was no other means of transport, would establish rights over 1,000 yards of river bank to each side, reaching back halfway to the next navigable river, provided that the logger held no other location on the same river. Despite this rule, an inquiry by the Superintendent twenty years later revealed that fifteen individuals had secured title to four-fifths of the logwood locations by the expedient of registering the

¹ This and subsequent historical material follows the accounts in N Ashcraft, *Colonialism and Underdevelopment: Processes of Political Economic Change in British Honduras*, New York: Teachers College Press, 1973, Chapters 3-5; N Dobson, *A History of Belize*, London: Longman 1973, chapters 3, 4 and 8; C H Grant, *The Making of Modern Belize*, Cambridge University Press, 1976, chapters 1 and 2.

² Grant *op. cit.*, p 30.

land in the names of their servants. The rules were altered to allow two holdings per river, and in view of the greater forest area needed for the exploitation of mahogany, the river frontage was increased to a total of three miles.

A commission appointed by the superintendent of the colony in 1820 found that all the valuable 'works' (as the larger mahogany locations were called) had been allocated, and that some individuals still controlled eight to ten holdings. Ownership by location was abolished, and existing tenants were granted the freehold, other land reverting to the Crown. In subsequent years a number of larger grants of Crown Lands were made, a policy which further concentrated the pattern of land tenure as smaller holdings 'by location' showed a tendency to be swallowed up by larger grants surrounding them. Boundary disputes continued until the establishment of the Lands Title Registry in 1859, but even by 1838 the large landowners were strong enough to ignore a proposal to introduce a fee for land grants since they already possessed the freehold on all the most valuable land in the country, the accessible and mahogany rich lands to the north, and could do without further grants.

The rise of the merchant elite

Forestry dominated the early nineteenth-century economy. Logwood continued to make some contribution, but the 'crop of dependency' was mahogany. Demand was kept buoyant by shipbuilders and the fashion for Chippendale-designed furniture, but even by 1810, when exports reached over 7¼ m board feet,³ there were signs that the haphazard destruction of the forest along the rivers would lead to difficulties in the future. In 1805, the loggers had been forced to import oxen from Honduras to aid in extracting timber from the more inaccessible areas to which they were driven. These operations raised costs, and rendered the loggers more exposed to periodic fluctuations in prices. The landowners were therefore always eager for sources of further income, and since there existed a constant need to import foodstuffs for the forestry labour force, import/export trade provided obvious possibilities.

After the Central American Federation achieved independence from Spain in 1823, Belize provided the main trading route to Europe for twenty years. One estimate puts the proportion of Central American

³ Dobson *op. cit.*, p 129.

trade passing through the settlement as high as three-quarters. In 1839 Under-Secretary James Stephen commented that it 'carries on a very large and valuable smuggling trade with Central America. This constitutes the real value of the place.'⁴ Equally significant was the entrepôt trade with the Yucatán. The volume of business was sufficient to attract a number of London merchants into partnership with the landowners, so that the elite acquired a dual basis of domestic forestry and metropolitan mercantile interests.

As the republics of Central America became more securely established, the importance of Belize declined, so that by the 1840s trade revenue was falling. In addition civil war in the Yucatán from 1846–8 further disrupted the market. Although some Belize City merchants attempted to make the best of the situation by selling arms to the Santa Cruz Maya rebels, it was the boom in demand for mahogany caused by the expansion of railways in Europe which postponed the inevitable conflict of interest between the domestic and metropolitan elites. In 1846 mahogany exports reached 13 m board feet.⁵ Depression again gripped the settlement in the 1860s. The peak of railway development had passed, and trade with the US was disrupted by the Civil War (1861–5) (which did however provide a further opportunity for profitable gun-running) and by Belize's transition to colonial status in 1862, which brought it fully within the ambit of Britain's system of imperial preference.

In 1871 the monopoly power exercised by the landowning elite throughout the history of the settlement by means of its dominance of the Public Meeting and the locally elected Legislative Assembly was broken, when executive power was devolved to a Legislative Council directed from London as part of the transition to Crown Colony status. Economically, this development was paralleled in the after-effect of the collapse of European mahogany prices. Without mercantile revenues to cushion the shock, many of the trading houses found themselves in difficulty. As the strong foreclosed upon the weak in the wave of bankruptcies which followed, land ownership became increasingly concentrated under the control of the metropolitan merchants.

By 1870 the bulk of private land was in the hands of 4 owners, the two largest, Young, Toledo and Co. and the British Honduras Company holding some two million acres. The latter was based upon the holdings

⁴ Dobson *op. cit.*, pp 139–41.

⁵ Ashcraft *op. cit.*, p 37.

of James Hyde, one of the original monopolists identified in 1785. In the 1820s the firm became linked with James Hodge of London, the partnership passing into the hands of the powerful London banking family of Hoare in 1875, changing its name to the Belize Estate and Produce Company (BEC). When Young, Toledo and Co became insolvent in 1880 the bulk of its lands were purchased by BEC.⁶ Thus, by the turn of the present century forestry and trade were dominated by a single company, alien-owned, whose holdings encompassed one-fifth of the total land area of the country, one-half of the lands in private ownership, and almost all of the prime mahogany forest.⁷

Commercial agriculture and the Great Depression

Enforcement of the ban on agriculture in the treaties with Spain suited both the British government, anxious to avoid unnecessary diplomatic wrangles, and the forestry elite, who saw it as a threat both to the labour force for the mahogany works and to the profitable trade in foodstuffs imported for their commissaries. The first serious attempts at agricultural production were the result of two waves of immigration, the first by Garifuna⁸ from the Bay Islands into the south of the country in the 1820s, and most importantly by mestizo and Maya refugees from the civil war in the Yucatán in the 1840s. By 1861, the population of the northern Corozal district exceeded that of Belize City. These new populations, marginal to the interests of the forestry elite and accustomed to agricultural labour, quickly seized upon the developing market opportunities abroad. Few of the enterprises lasted long; the sugar industry in the north was doomed by low prices in the 1880s. Coconuts provided a more durable source of revenue; it was not until after World War II that falling prices, neglect of the plantations and hurricane damage led to the decline of the industry from its peak export figure of 8,268,530 nuts in 1915.⁹

The development of a banana export industry around the Stann Creek valley was at first most successful. In 1891 half-a-million stems were despatched to the US through the United Fruit Company, and by 1906 the total had risen to three-quarters of a million stems of bananas

⁶ P Ashdown, 'The Belize elite and its power base', *Belizean Studies* 9(5 & 6) 1981, pp 38-9.

⁷ Grant *op. cit.*, p 37.

⁸ *Garifuna*: descendants of intermarriage between escaped slaves and Carib Amerindians

⁹ D H Romney (ed), *Land in British Honduras*, London: HMSO, 1959, p 119.

and 2 million of plantain, the latter for the most part produced by Garifuna farmers on small plots. In 1911 United Fruit began production on its own account on 12,500 acres, but two years later the plantations were struck by an outbreak of Panama disease, and thereafter the industry went into decline. United Fruit's production, 887,000 stems in 1917, had fallen to a mere 79,000 by 1932.¹⁰

Agricultural exports remained merely a palliative as successive slumps struck forestry exports, sinking the colony deeper into depression.

A brief resurgence of logwood exports in the 1880s preceded the entire collapse of the trade due to competition from cheaper aniline dyes. The supporting role of logwood in the forestry economy was taken by chicle, the processed sap of the sapodilla tree used for chewing-gum base. Mahogany exports surged upwards once more at the beginning of the century following an increase in demand in the US, but soon fell back once more. The introduction of tractor haulage in 1924 enabled previously inaccessible stands of timber to be reached, but unit costs remained uncompetitively high compared with alternative sources of hardwoods in Brazil and Africa. Mechanisation also accelerated the reduction of labour employed in forestry, reinforcing the domestic effects of the slump. As early as 1921 the balance of trade moved into deficit,¹¹ where it has remained to the present. The collapse of mahogany and chicle prices in the 1930s had a catastrophic effect, accentuated by the disastrous hurricane which struck Belize on 10 September 1931. The extent of the crisis can be gauged by the fact that in 1929 10 per cent of the revenue of the administration was derived from duties on whisky destined to be smuggled into the US, which was under Prohibition from 1920 until 1933.¹² By 1931-2, the proportion had risen to 11.75 per cent of revenue and fully 75 per cent of export duties.¹³

Despite the critical revenue situation, the landowners successfully pressed for a reduction in the tax on chicle in 1933, by which time BEC had established the country's first sawmill, using BH\$200,000 of hurricane relief loans. Loans for agriculture, on the other hand, were hard to raise. In the following year, the tax on sawn lumber was abolished. As BEC's operations pressed deeper into the inaccessible

¹⁰ Ashcraft *op. cit.*, p 58; Romney *op. cit.*, pp 118-19.

¹¹ Ashcraft *op. cit.*, p 50.

¹² P Ashdown, 'Bootlegging in Belize 1920-33', *Belizean Studies* 8(5) 1980, pp 15-16.

¹³ Grant *op. cit.*, p 41.

Hillbank area, the villages of Indian Church, Xaxe Venic, San José and Yalbac were depopulated.¹⁴ When the administration attempted to raise land taxes in 1931, BEC and the other large owners simply refused to pay; in 1934 BEC settled its debt (of \$115,000) by making over to the government some land 'of indifferent value.'¹⁵ After a slight remission in 1939, recession deepened still further when the US entered World War II in 1941, which led to further restricted exports and rocketing food prices. The immediate post-war years were no better, reaching a nadir in 1949 after a severe drought. The British decision to devalue the British Honduras dollar on 31 December 1949 somewhat eased the competitive position of exports, but the widespread hardship caused by the further increase in food prices was a major influence, as has been well documented,¹⁶ in the formation of a political movement pressing for independence.

The struggle for independence: the domination of sugar

Politically, the forty years following the end of World War II were characterised by the hegemony of the People's United Party (PUP) under its leader, George Cadle Price, and the struggle for self-government and independence, finally granted on 21 September 1981. In the economic sphere, the decline of the forestry-based economy dominated by the BEC was mirrored by the rise of an economy based upon sugar as the crop of dependency under the control of the British multinational Tate and Lyle.

Commercial sugar production was reintroduced in the 1930s on the initiative of Governor Kittermaster, over the opposition of the timber elite and the Colonial Office. 'Your coolness towards these proposals,' he complained in 1934, 'is contrasted unfavourably in the local mind with your attitude last year in urging on the Legislative Council the advisability of making a loan to Sir Samuel Hoare's Belize Estate and Produce Company.'¹⁷ A second-hand factory was installed at Pembroke Hall (now Libertad) near Corozal in 1935. After the war, while timber revenues remained static at around BH\$3.5 million per annum, sugar exports expanded rapidly. In 1960 over 12,000 tons went to Britain under the Commonwealth Sugar Agreement; in the following

¹⁴ Romney *op. cit.*, p 205.

¹⁵ Grant *op. cit.*, p 65.

¹⁶ Eg Grant *op. cit.*, chapters 2-3.

¹⁷ Quoted in A Ford, *Telling the Truth*, London: Karia Press, 1984, p 4.

year with export revenue of BH\$4,022,000 from 27,577 tons, sugar permanently replaced timber as the country's primary export earner.¹⁸ The company was bought by Tate and Lyle, who renamed it Belize Sugar Industries (BSI). The Libertad factory was overhauled and a new plant built at Tower Hill. Production topped 50,000 tons in 1966-7 and 100,000 tons in 1977-8.¹⁹ Revenue that year (BH\$47,719,000) represented 54 per cent of exports, while timber and chicle combined contributed a mere 3 per cent.²⁰ Over the same period acreage of cane harvested quadrupled to 60,000 acres.

The old forestry and mercantile interests continued to control the land. Of the land in private ownership in 1954, only 10 per cent of 'readily farmable soil' was in use for permanent cultivation, with a further 30 per cent leased for *milpa*.²¹ Large holdings accounted for 94 per cent of privately held land. Since mahogany profits had been reinvested abroad, especially in the US, the owners not only lacked capital but often were 'unable' to meet their annual land tax payments. The British Government Land Survey concluded: 'It is difficult to suggest a remedy which does not involve cutting down the size of the estates severely.'²² By 1966, 90 per cent of privately owned lands were in the hands of foreigners. Of the 365 owners whose acreage exceeded 100, almost half were foreign and their holdings totalled 2,136,000 acres. The Belizean majority held only 234,000 acres. Of the 2 million acres owned in lots of 10,000 acres or over, only three out of fifty owners were Belizean.²³ Still pre-eminent was BEC, which had been acquired in 1947 by the British timber combine, J Glicksten and Sons.²⁴ The company sold some land, but in lots of over 5,000 acres at a speculative price which put it beyond the reach of domestic farmers. The new owners, for the most part from the US, continued to hold the land in speculative inactivity.²⁵ By 1968 BEC's lands had been reduced to 872,412 acres. In the 1970s Glicksten was itself acquired by the International Timber Company (ITC). Shortly before merging with Montague L Meyer to form Meyer International, ITC sold BEC along

¹⁸ Ashcraft *op. cit.*, p 53.

¹⁹ *Abstract of Statistics 1985*, Central Statistical Office, Ministry of Economic Development, Belmopan 1985, Table 4.1.

²⁰ *Abstract of Statistics 1977*, Central Planning Unit, Belmopan 1977, Tables 50 and 52.

²¹ *Milpa*: shifting cultivation under forest cover.

²² Romney *op. cit.*, pp 262-4.

²³ Grand *op. cit.*, p 306.

²⁴ A Gregg, *British Honduras*, London: HMSO 1968, p 123.

²⁵ Grant *op. cit.*, p 307; C Zammit, *The Belize Issue*, London: Latin America Bureau 1978, p 50.

with its other tropical timber operations 'considering that there was no future in them.' (Meyer International still owns the Sibun Land Development Company.²⁶) The purchaser, for a price of US\$4.7 million, was a financier from Georgia, F W Bellote.²⁷

The government's first attempt to exert some degree of control over land speculation, a tax on undeveloped land introduced in 1966, had little effect. Of wider importance was the Aliens' Landholding Ordinance (No 31 of 1973) which prevented the acquisition by non-Belizeans of more than ten acres of rural land, except where the Minister of Natural Resources had used his discretion to 'grant to an alien a licence to acquire and to hold an estate in land subject to such terms and conditions in the licence as he may think fit for the development of the said land.' (Section 6(1)) The following year, the government passed legislation enabling it to acquire land in the public interest.²⁸ The government's greatest success in the recuperation of land was in 1972 in persuading Tate and Lyle to sell its lands, on which it had grown 50 per cent of its sugar cane requirements, to small farmers in return for a levy on cane deliveries.²⁹

The government also encouraged agricultural expansion in other areas. Under the stimulus of producer cooperatives, exports of fish, especially lobster, expanded rapidly, reaching 10 per cent of exports by the 1980s.³⁰ Banana exports resumed in 1975 through United Fruit/Fyffes; despite transport difficulties and falling production since 1979, revenues have remained good due to favourable prices in Britain. A third growth area was citrus.

A cooperative exporting fresh fruit had existed in the Stann Creek area, which is perfectly suited for citrus, before World War II when lack of markets finished it. The enterprise was based around the plantation of the Jamaican company, Sharpe Bros, and local growers turning away from bananas. The industry revived after the war due to a ten-year contract with the British Ministry of Food. Acreage under citrus increased from 100 acres in 1950 to 6,000 acres in 1965, stimulated especially by the planting of a 2,000 acre grove by Salada Foods of Canada. A mini-boom in the 1960s, caused by severe frosts in Florida, benefited for the most part only the five or six largest growers and the two

²⁶ F Nectoux, *Timber!*, London: Friends of the Earth, 1985, pp 48-9, 65.

²⁷ *Financial Times* (London) 18 November 1985.

²⁸ Zammit *op. cit.*, p 51.

²⁹ Liborio Ayuso, former Secretary of Belize Sugar Board, interview August 1985.

³⁰ *Belize in Figures 1985*, Belmopan: Government Information Service.

foreign-owned processing plants; the small growers, unable to bear the costs of maintenance in years of low prices, tended to allow their grove to deteriorate. Nevertheless, by 1982 acreage was up to 10,000 acres and citrus also contributed 10 per cent of export revenues.³¹

A further 10 per cent was contributed by the garments exported by the US-owned Williamson Industries, an 'offshore' plant established in 1961.

The economy in 1984-5

Despite these successes in diversification, when the PUP left office in the General Election of December 1984 the economy remained in deep crisis. The 1984 trade deficit of Bze\$69.4 m represented an imbalance of imports to exports of 4 to 3, almost a quarter of imports being accounted for by food and beverages.³² Sixty per cent of productive agricultural land remained foreign-owned and largely unexploited.³³ Critical levels of unemployment and poverty were only kept at bay by emigration of large numbers of Afro-Belizeans to the US, and their remittances home of US dollars. Estimates for the scale of the migration range from a commonly accepted 30-50,000 to 90,000.³⁴ In a natural succession to the bootlegging of the 1920s and 1930s, some Belizeans began to exploit the ready market in the US for marijuana, especially during 1984 when domestic political pressures forced the Price government to stop the aerial spraying of plots with paraquat herbicide. Estimates put the value of the trade at at least \$100 m, equal to the total legal exports, though few of the profits remain in the country. By early 1985, Belize was believed to be the fourth largest producer of marijuana in the hemisphere.³⁵

Debt repayments forced Belize to the IMF for the first time in mid-1984. In order to stave off imminent devaluation, the new United Democratic Party government of Prime Minister Manuel Esquivel quickly negotiated a US\$13 m loan from USAID, in addition to US\$7 m in Special Drawing Rights from the IMF. The former

³¹ Ashcraft *op. cit.*, pp 74-6; G Hartshorn (ed), *Belize: Country Environmental Profile*, Belize City: Robert Nicolait and Associates 1984, p 83; *Belize in Figures*.

³² *Annual Abstract 1985* Tables 5.1 and 5.2.

³³ Hartshorn *op. cit.*, p 83.

³⁴ M Jamail, 'Will independence mean new dependence?', *NACLA Report on the Americas*, July/August 1984, p 13; *The Beacon* 21 December 1985.

³⁵ M Jamail, 'Still struggling for independence', *NACLA Report on the Americas*, May/June 1984 p 9; *Belize Briefing*, April 1985.

committed it to the abolition of quantitative import controls and to the generation of a volume of extra trade with the US equal to the value of the loan.³⁶

Legal exports remained dominated by sugar, which accounted for approximately half of export revenue and arable land acreage and a quarter of employment and GDP.³⁷

With the world market price of sugar at an all-time low, the industry was reliant upon quota sales to the US and EEC. In volume terms, the 42,000 ton EEC quota under the provisions of Lomé III was most important, yielding an average of Bze\$600.63 per ton compared with Bze\$236.54 on the open market in 1984–5, but the depreciation of the pound sterling against the dollar since 1980 gave rise to a notional loss in revenue over the period of Bze\$200,000 compared with constant 1980 exchange rates. In revenue terms, the US quota introduced for the 1982–3 season and reduced to 24,500 tons for 1984–5 and 16,500 tons for 1985–6 was more significant, yielding an average Bze\$841.49 per ton.³⁸

The contraction of the Belize sugar industry was spectacularly swift, and followed the decision by the new government not to carry through a Letter of Intent signed by the previous administration to buy out Tate and Lyle's majority shareholding in BSI. Negotiations proceeded through May and June 1985, the multinational pressing extremely harsh terms backed up with a threat to close the industry completely. The Libertad factory was closed, and reduced production of 80,000 tons was transferred to Tower Hill. All but 10 per cent of Tate and Lyle's holding was transferred to a trust on behalf of the remaining employees in return for any dividends declared over ten years. The multinational retained a management contract, and acquired a licence to import 5,500 tons of plantation white sugar in 1985–6 to satisfy the domestic market.³⁹ As the Minister of Trade commented, 'Tate and Lyle are in a position to make demands on the government and the resources of the country, and the government has little alternative but to go along.'⁴⁰ For its part, the company claimed that the sale 'has allowed necessary commercial decisions to be taken that would have been extremely difficult for foreign owners of such a key industry in the Belizean economy. In

³⁶ *Belize Briefing*, April 1985.

³⁷ *The Guardian* (London) 8 November 1985.

³⁸ Central Bank of Belize (CBB), *Quarterly Review*, June 1985, pp 10–11, September 1985 p 5.

³⁹ *Belize Briefing*, June, August, October 1985.

⁴⁰ *Insight*, August 1985.

addition, the industry could now qualify for assistance from international lending agencies.⁴¹

The disastrous effect of the closure of the Libertad factory on the relatively prosperous Corozal district was received rather stoically. A former union official at the factory summed up the historical situation succinctly: 'Just like mahogany, chicle has its time, sugar has its time—and it's come already.'⁴²

As can be seen from Table 2, all of the alternative export industries are heavily dependent on the US market. Two crops at present insignificant but with growth potential—cacao and winter vegetables—are 100 per cent US controlled. The cacao programme is managed by the Hershey Corporation, which buys all the crop, and the vegetable trade is a development of the Caribbean Basin Initiative and puts Belize into direct competition with most of the other nations of Central America and many Caribbean Islands. Exports in the first season (1984–5) totalled 344,624 pounds, making the sector the fastest growing in the economy; proceeds were a mere Bze\$23,700 due to adverse transfer pricing by Miami corporations.⁴³ Tourism, another growth area, is also dependent on the US, both for visitors and the development of resort facilities.

The only possibility for short-term expansion lay in citrus. The structure of the industry had changed little since the 1960s. Of the Citrus Growers Association's 375 members, 90 per cent farm under four acres, while 36 per cent of the groves are owned by the processors.⁴⁴ Salada had passed through the hands of Kelloggs into the ownership of the Swiss giant Nestlé (Belize Food Products), while in 1983 Sharpe Bros sold 90 per cent of their interest in the Citrus Company of Belize to a consortium headed by the Citrus Growers Association of Trinidad (50 per cent) and local farmers, effectively resolving a damaging price dispute between growers and processors. Between 1979 and 1983 exports almost doubled, with acreage rising by 1000 per year. Loans for citrus development accounted for 22 per cent of all agricultural loans (Bze\$3.5 m), increasing by 8 per cent at a time when agriculture loans as a whole dropped by almost one-third.⁴⁵

⁴¹ Tate and Lyle Annual Report 1985, p 14.

⁴² Abuid Zetina, former regional official Belize Workers Union, interview August 1985.

⁴³ CBB, *Quarterly Review*, March 1985, p 8.

⁴⁴ Hartshorn, *op. cit.*, p 85.

⁴⁵ *Inforpress*, 24 January 1984.

The British Overseas Development Administration finances an agronomist and a programme for the improvement of neglected groves, drainage and fertiliser projects and a nursery.⁴⁶ The aid package negotiated in London in July 1985 included a feasibility study for a 30,000 acre grove in the southern Toledo district (compared with the 9,000 acres in Stann Creek.)⁴⁷

Two factors contributed to the boom. Severe frost damage in Florida from 1980 to 1984, together with the reappearance of citrus canker, led to soaring prices for orange juice concentrate, which reached a high of US\$1.75 per lb in January 1985. In addition, the provisions of the CBI removed a 30 per cent tariff from Belizean exports to the US, enabling Belize to compete for the first time with the world market leader, Brazil. But during 1985, the pace slackened as the Florida industry recovered and world prices fell. Belizean production for the second quarter was only 0.6 per cent down on the same period in 1984, but revenue fell by 14 per cent.⁴⁸ By the end of the year, Brazil had cut its export price by one-third and the New York delivery price had fallen to below US\$1 per lb, while production in Florida was expected to be up by 27 per cent.⁴⁹ As in the 1960s, the effects of the price fall seem likely to hit the small growers the hardest; an article contributed to the newspaper *Amandala* complained of domination of the Citrus Growers Association by large growers and representatives of the processors under a regulation which restricts membership of the Board of Directors to growers who have produced 'at least 15 per cent of the fruit delivered for processing during the previous year.'⁵⁰

In October 1985 the whole pattern of both the citrus industry and the Belizean economy was radically altered, once again through the agency of the lands of the Belize Estate and Produce Company.

The 'Coca Cola' land deal

The US owner of the BEC lands found the burden of land taxes too great; in 1982 he sold out to a Belizean businessman, Barry M Bowen, head of a substantial trading empire, for \$7 m including \$2 m in back

⁴⁶ Minister of Natural Resources, Speech to the Citrus Growers Association, *The Beacon* 21 September 1985.

⁴⁷ Minister of Natural Resources, interview in *New Belize*, September 1985.

⁴⁸ CBB, *Quarterly Review*, June 1985, p 8.

⁴⁹ *Financial Times* (London) 11 October 1985; 23 October 1985; 7 November 1985; 24 January 1986; 30 January 1986.

⁵⁰ *Amandala*, 22 November 1985.

taxes. During the post-war period a logging railway had been extended to beyond Gallon Jug to facilitate mahogany extraction, but the area still contained an estimated 4,592,700 cubic metres of exploitable timber including 444,000 cubic metres of primary hardwoods and the country's 'richest reserve of mahogany'.⁵¹ The Gallon Jug settlement was abandoned in 1965.

Bowen intended to clear 120,000 acres over six years to fuel a wood-burning power station and a pulp mill, replanting 20 per cent with fast growing species such as eucalyptus and selling off the rest as cattle pasture or for citrus. When backing for the scheme from international agencies was not forthcoming due to profound concerns over environmental damage and doubts as to the scheme's economic viability, Bowen found himself in difficulty servicing the US\$4.8 m loan he had taken out from the Banco Metropolitano SA of Panama to finance the purchase.⁵² In February 1985, the Supreme Court of Belize ruled him liable for the debt, rejecting an intervention by the Attorney General who argued a prior claim by the government in lieu of unpaid taxes.⁵³ The implications of the rescue negotiated by Bowen and finally announced on 2 October 1985 were enormous.

A US\$6 m deal involved the whole of the BEC lands, 686,186 acres, 'the largest single piece of potentially arable land in the whole of Central America,' one-eighth of the land area of Belize. The US involvement represented both the largest investment from abroad since independence and the largest single foreign investment by a US company in a nation covered by the CBI.⁵⁴ 50,000 acres were bought outright by Minute Maid, Coca Cola's juice subsidiary; 50,000 acres by a partnership between two Houston businessmen, Walter Mischer and Paul Howell; and 50,000 acres was retained by Bowen himself. The remainder, over half-a-million acres, is owned jointly on a 30:30:40 basis. In addition, lands in the New River Lagoon area were made over to the government to cover some B\$800,000 in land taxes.⁵⁵

Coca Cola will establish a 5,000 acre citrus nursery, rising over seven years to 25,000 acres. Total investment is estimated to reach US\$120 m, close to the present GDP of US\$158 m. In the short term, exports of citrus are expected to quadruple.

⁵¹ Hartshorn *op. cit.*, pp 94-5.

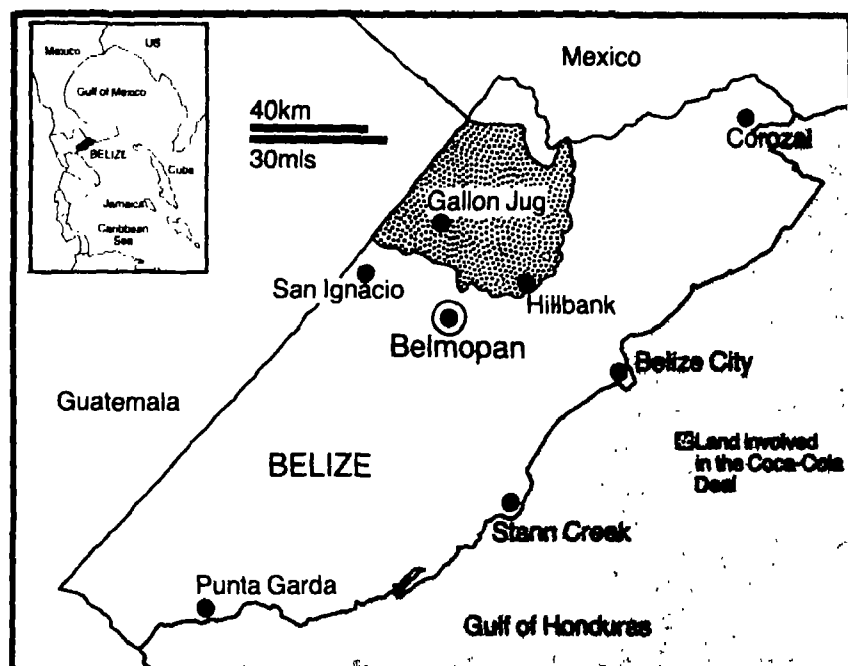
⁵² *New Scientist*, nd, reprinted *Amandala* 4 May 1984; *Financial Times* (London) 18 November 1985.

⁵³ *Inforpress* 28 February 1985.

⁵⁴ *Financial Times* (London) 3 October 1985.

⁵⁵ *Belize Times*, 20 October 1985.

DEPENDENCY, LAND AND ORANGES IN BELIZE



The multinational will benefit in a number of ways. Minute Maid, the US market leader in orange juice with a market share of 20-25 per cent, is the largest grower in Florida with 22,000 acres, supplementing its needs with imports primarily from Brazil. The Belize operation will be free from fears of frost and disease problems, and will also escape the producer/processor disputes which affect Brazilian output since no plans have been announced for the company to purchase fruit from Belizean growers. Its shipments of fruit for processing at its two Florida plants will benefit from the CBI tariff advantages, worth almost \$2 per box, a reduction also applicable to the output of the processing plant it may establish in Belize after 1990 if production warrants it.

Belize will benefit from such swift replacement of the gap left by Tate and Lyle, and, in the words of Prime Minister Esquivel, be an 'example to other companies and firms looking for a good environment in which to locate their projects',⁵⁶ since the foundation of the UDP's economic strategy is the attraction of private foreign investment. The project will also impart stability to the citrus sector, at present vulnerable to price

* *The Beacon*, 5 October 1985.

changes and dependent on the CBI, due to expire in 1996, for competitive advantage. But the clear danger remains that the involvement of Coca Cola will be limited to that of an offshore agro-industry reminiscent of the plantation economies of colonial times. Officially the direct benefits are listed as 'improvement in infrastructure, increase in employment and the training of specialised skills to nationals.'⁵⁷ The government will generate most of the infrastructure improvements itself, using part of the British loan of June 1985; employment at full production will be 800 permanent and 1,500 casual staff, while the training requirement is a condition for the granting of a fifteen-year tax holiday, any application for which would reduce severely the revenue from the investment to the hard-pressed Treasury, under Belize's investment incentives laws.⁵⁸

A new elite?

The main concern over the transaction is that other than for half of Coca Cola's holding, it appears that no announcement has been made of development plans for any of the rest of the land, giving rise to fears that it may remain once again unused, or be exploited in environmentally destructive projects. The government has not explained this departure from the usual practice under the Aliens Landholding Ordinance.

The BEC lands have a complex pattern of soil types and drainage patterns, leading a recent study to conclude it unsuitable for large monocrop agribusiness, but ideal for agroforestry development,⁵⁹ while a 1954 survey indicated as a major development constraint 'ownership by a company not ready to sell the land in small lots.'⁶⁰

Bowen is reported to be negotiating with the Hershey Corporation with a view to establishing cacao; he has also expressed interest in continuing exploitation of mahogany, and in developing the tourist potential of the area's Maya ruins. An unsuccessful bidder for the land had intended a wildlife reserve and tourist complex with citrus and cacao at the perimeter. Bowen still maintains enthusiasm about the power-station project, but this is unlikely to be any better received than before.⁶¹ (When asked for his view of wood-burning as an energy source

⁵⁷ CBB, *Quarterly Review*, September 1985, p 8.

⁵⁸ *Insight*, November 1985; *Belize Briefing*, December 1985.

⁵⁹ Hartshorn *op. cit.*, p 82.

⁶⁰ Romney *op. cit.*, p 206.

⁶¹ *Financial Times* (London) 18 November 1985; *Daily Telegraph* (London) 26 November 1985, *Tampa Bay Business*, 25 August 1985.

in an interview for the government magazine *New Belize* the Minister of Natural Resources ducked the issue, claiming that he understood that 'only a limb or two from those trees would be used.'⁶²

Cattle farming for low-grade hamburger beef, is a strong possibility. This most destructive use of shallow forest soils may have consumed one-third of Central America's forests over the last thirty years. 'Of all tropical countries, Belize may have the least depleted soil resources.'⁶³ To the north-east and south of the BEC lands Mennonites (an immigrant community of fundamentalist Christians from North America) use cleared forest to support the country's commercial dairy industry. Livestock has been expected to expand for some years; the Belize Meats Ltd abattoir, owned 51 per cent by the government and 49 per cent by the US Contris Bros corporation, operates at 20 per cent capacity and received US Department of Agriculture certification (for export) in April 1985. A month later, the government suppressed a profitable export trade in live cattle to the French Caribbean.⁶⁴

Politically, the question is the extent of the influence the economic power of the Houston investors has enabled them to win over the government. Bowen's link with Coca Cola is longstanding, since he has held the Belize bottling franchise since 1960. After a courtesy visit to the opening of the Grenada parliament, Prime Minister Esquivel's first foreign trip was to Houston at the invitation of its Chamber of Commerce.⁶⁵ Of the other investors, both Houston-based, Paul Howell's oil company has interests in promising test wells in the north of Belize,⁶⁶ and sponsored an unsuccessful scheme to save the Libertad factory by buying molasses from BSI for conversion into ethanol. Howard Mischer, a prominent Republican property developer and banker, joined the board of Howell Petroleum in 1983. Both men are reported to be linked in an enterprise named Belco (surely an acronym for Belize Company) with Keith Jackson, another Houston businessman who owns Maya Mariculture, a US\$10 m shrimp hatchery project which represents the best prospect for expanding marine products revenue. Williamson Industries is based in Fort Worth, Texas, while a number of Houston investors are involved in hotel construction on the fast expanding tourist resort Ambergris Caye. Coca Cola Foods, the parent of Minute Maid, is itself based in Houston.

⁶² *New Belize*, September 1985, p 13.

⁶³ Hartshorn *op. cit.*, p 81.

⁶⁴ *Insight*, June 1985; *Belize Briefing*, June 1985.

⁶⁵ *New Belize*, March 1985, p 7.

⁶⁶ *New Belize*, September 1985, p 9.

THIRD WORLD QUARTERLY

Table 1: Belize's external trade by area, 1984 (Bze\$000)

	Total	UK	CARICOM	USA
Domestic Exports	145,719	29,885 (20.5%)	13,794 (9.5%)	84,277 (57.8%)
Imports	260,373	21,715 (8.3%)	3,904 (1.5%)	113,377 (43.5%)

Source: Annual Abstract of Statistics 1985

Table 2: US share of domestic exports, by sector 1984 (Bze\$000)

Sector	Export Value	% of total Exports	Value of Exports to USA	% of sector total	% of total Export
Sugar	65,069	44.7%	29,632	45.5% *	20.3%
Garments	31,240	21.4%	28,499	91.2%	19.6%
Citrus	19,545	13.4%	8,015	41.0% *	5.5%
Fish	13,439	9.2%	12,875	95.8%	8.8%
Bananas	6,286	4.3%	nil	nil	nil
Timber	2,131	1.5%	510	24.0%	0.3%
Chicle	847	0.6%	847	100%	0.6%
Fruit/Veg	288	0.2%	287	99.7%	0.2%
Cacao	260	0.1%	260	100%	0.1%
Meat	1	0.0%	nil	nil	nil
Logwood	nil	nil	nil	nil	nil
	139106	95.4%	80925		55.4%

* 31.8% to UK

** 57.2% to Trinidad and Tobago

Source: Calculated from Trade Report, 1984

Conclusion

The export economy of Belize is becoming increasingly dependent on the US market. In addition, all sectors of growth or potential growth are US-controlled; all save cacao, and including the largest tract of private owned land, are under the control of a small group of Texas-based businesses.⁶⁷ The domestic factors contributing to the hegemony of the new metropolitan elite are the rapid collapse of the crop of dependent sugar between 1980 and 1985, and long-term structural problems

⁶⁷ *Belize Briefing*, October and December 1985; *Insight*, November 1985.

agricultural underdevelopment, balance of trade deficit and underemployment. The dangers to the country of too open an attitude towards foreign investment are illustrated by reports that another Houston businessman, the major partner in a scheme to establish a detergents industry, was wanted in his home state on fifteen fraud charges.⁶⁸ There are indications that the new UDP government, as it gains the political experience denied it by the 30-year monopoly of power by the PUP, is becoming more wary of dependence on the US. Proud of its record in combatting the marijuana traffic, it was profoundly angered by US pressure to resume aerial spraying, a sentiment expressed in a powerful speech by the Minister of Foreign Affairs to the UN General Assembly in October 1985.⁶⁹ In January 1986, the 'Gone Abroad' columnist of the UDP newspaper complained of the 'surprising arrogance' of USAID, warning their Belize representative of 'the anti-American sentiment which is already in danger of mushrooming in Belize.'⁷⁰ In its 10-point 'Highlights of the UDP Year in Review' the paper did not include the Coca Cola land deal, although it had previously described it as 'the most significant foreign investment made in Belize.'⁷¹ It is to be hoped that Belize, after a history of dependence on logwood, mahogany and sugar controlled from London, may yet escape dependence on citrus controlled from Houston. For the government itself it is a political conundrum: the citrus groves planted now should just be reaching production in time for the next General Election in 1989.

⁶⁸ *Dallas Morning News*, 10 October 1985.

⁶⁹ *New Belize*, October 1985, pp 913.

⁷⁰ *The Beacon*, 11 January 1986.

⁷¹ *The Beacon*, 2 November 1985, 21 December 1985.

Aquino's elite populism: initial reflections

The passing of the old order in the Philippines yielded dramatic scenes reminiscent of 1789 in France and 1917 in Russia.

But did the accession of the Aquino government have the same significance for the people of the Philippines as the two European revolutions had for the French and Russians? Despite the unrestrained use of the word 'revolution' by Aquino partisans, what took place in those glorious February days was not a revolution but essentially a transfer of power from one faction of the Philippine elite to another. The dictator may have fled and liberalisation may be the order of the day but, as in Raul Alfonsín's Argentina, the old social structure is still in place.

An elite government, but a complex one

And yet this government does not simply represent a return to the formal democratic system that preceded the imposition of the Marcos dictatorship in 1972. Emerging after fourteen years of harsh repression, the government has a very strong anti-fascist strain. And inheriting a treasury debauched by the kleptocratic practices of Marcos and his cronies, Cory Aquino and her closest associates have launched a moral crusade against the old corrupt and extravagant ways of the Filipino ruling elite.

Cory Aquino herself is the embodiment of these strains and just how strong they are was manifested in two of her first acts in office: she ordered the release of all political prisoners, including top leaders of the left, over the objections of the military and she decreed that Malacanang, the presidential palace, be converted into a 'Museum of Decadence'. There is in this a spirit something akin to revolutionary puritanism, and it is one of the sources of Aquino's immense popularity.

Another feature of this government that dilutes its ruling-class character is its dependence on massive popular mobilisation or 'people's power'. It came to power, not through elections, but through extra-parliamentary means on the back of a military but largely spontaneous people's movement. Elite interest groups surround Aquino, but she

herself is situated not by a political machine but by this direct charismatic relationship to the masses. 'I will not allow myself to be stopped,' she has declared, 'The people are on my side and I can still draw large crowds in the squares.'¹

Keeping this relationship alive and strong will entail enacting policies which are likely to step on the toes of the conservative elite forces. As many of her elite backers have already discovered, 'revolutionary legitimacy' is a double-edged sword.

A third critical feature of the Aquino administration which offsets the dominance of ruling-class interests to some degree is its ambivalence toward the US. Success has many parents, and among those now claiming paternity of the new government is the US.

This claim is dubious: President Reagan did not desert Marcos until after the Filipino dictator had already been defeated by a people's uprising and a military mutiny. Nevertheless, many Washington officials, especially at the State Department, are congratulating themselves for having pushed Marcos to liberalise and to hold elections, which resulted in his losing control. Some see in the Philippine developments a successful implementation of the 'Doctrine of the Third Force' which has allegedly replaced the 'Kirkpatrick Doctrine', which stood for firmly backing authoritarian allies like Marcos. According to Charles Krauthammer, one of the doctrine's most ideologically strident proponents, the Third Force concept is simple. 'In friendly countries ruled by dictators, America should use its influence to support a "Third Force", a democratic alternative to a pro-American despot on the one hand and communist insurgencies on the other. A Third Force strategy means not settling for the lesser of two evils, but trying to help build and support a middle, democratic way.'²

Cory Aquino's movement is seen as such a Third Force. But whether it will accept or effectively play the role Washington wants it to assume is open to question. Though they were definitely receiving encouragement from the US Embassy and State Department officials prior to the elections,³ Aquino's forces were receiving other signals

¹ 'Aquino interviewed on commitment to change,' *La Repubblica* (Rome), 11 March 1986, p. 3. Reproduced in Foreign Broadcast and Information Service, *Daily Report Asia and Pacific*, 13 March 1986.

² Charles Krauthammer, 'Bringing a third force to bear', *Time*, 10 March 1986, p. 84

³ Shortly after Marcos announced the snap presidential elections, the US Embassy *charge d'affaires*, Philip Kaplan, gathered key opposition leaders, including José Cojuangco, Cory Aquino's brother, and Butz Aquino, her brother-in-law, for a breakfast meeting with Richard Holbrooke, former Assistant Secretary of State for East Asia and Pacific Affairs. Those present were urged

from the White House. Reagan's notorious claim that there was 'fraud on both sides' and his hanging on to his old ally, Marcos, until the end, angered Aquino, who already resented the shabby treatment that Washington had accorded to her husband when they were in exile in the US in the early 1980s. Aquino and many other members of her cabinet may not be leftists but they have been victims of Washington's opportunistic diplomacy and it is something of which they are very wary.

While the US continues to exercise significant influence over key elements within the new government (such as Vice-President Salvador Laurel and Defence Minister, Juan Ponce Enrile) that influence is not as dominant as it was under Marcos.

An unstable coalition of elite factions

The US nevertheless has a lot of room to manoeuvre, since a prime characteristic of the new government is its being an unstable coalition of sharply competing elite factions or tendencies. Dominant among these are the elite reformists, many of whom were disenfranchised under Marcos by his imposition of martial law in 1972. While favouring the restoration of formal democracy, the elite reformists retain a strong interest in maintaining the country's landlord-dominated semi-feudal agrarian structure and keeping the economy structurally tied to the US. Aquino is, by blood and marriage, linked to two of the most prominent landlord families in Central Luzon, while Salvador Laurel is the chieftain of the most powerful landlord political dynasty in Southern Luzon.

Aquino's conservative instincts are manifest in her views on land reform, the principal social issue confronting her government. 'It is not so much a matter of distributing land,' she recently said, 'but of enabling people to share profits. By sharing out the land, you only create more problems because sugar cultivation, for instance, is definitely uneconomic if carried out in small plots.'⁴ The desire not to disturb the economic status quo is also reflected in her choice of two staunchly pro-Western businessmen, Jimmy Ongpin and Jose Concepcion Jr, as

by the Americans to field one presidential candidate and were advised not to press for the legalisation of the Communist Party or to raise the issue of the US bases since this 'would not play well in the US' Confidential cable from US Embassy Manila, to Secretary of State, 6 November 1985.

⁴ 'Aquino interviewed . . .', *op. cit.*

her chief economic lieutenants. A devout Catholic, she pays special attention to the extremely influential Cardinal Jaime Sin and to a coterie of Jesuit priests noted for their strong anti-communist sympathies who are actively searching for ways to outmanoeuvre the left in gaining popular backing for conservative social reform.

Next in terms of influence within the governing coalition is the militarist faction headed by the Defence Minister, Juan Ponce Enrile, and the Armed Forces Chief of Staff, Fidel Ramos, who defected from Marcos. After fissioning into 'loyalists' and 'rebels' during the four-day February uprising, the Armed Forces of the Philippines have fused together again. 'Over-staying generals'—most of them pro-Marcos—have been retired in the military's effort to gain a new image as the 'New Armed Forces of the People', as General Ramos put it. Yet, it is the same old army, with scores of officers and military units from top to bottom implicated in the fourteen-year repressive rule of Marcos. Enrile was instrumental in planning the imposition of martial law in 1972, and he has allegedly enriched himself by pillaging the treasury just as other Marcos cronies have before he was marginalised from the regime's inner circle when his presidential ambitions clashed with those of Imelda Marcos. As head of the national police, the Philippine Constabulary, General Ramos presided over that branch of the armed services which compiled the worst record of human rights abuses during the Marcos period. Many leaders of the 'Reform the Armed Forces Movement' are field commanders who initiated counter-insurgency campaigns which took a high toll of innocent civilian lives.

Aside from serving as a vehicle for Enrile's overweening ambitions, the overriding goals of the militarist faction are to pursue the counter-insurgency drive against the leftist New People's Army, to retain the military's influence in politics and to protect it from being subject to judicial prosecution *à la* Argentina. But most important, being solidly pro-US, the militarists serve as the key conduit of US influence into the governing coalition.

A potential source of support for the Enrile-Ramos group is the old Marcos political machine, which is currently in disarray. This mixed bag of local warlords, regional strongmen, and technocrats, however, is not likely to disappear. Yet Enrile's wooing of his former comrades is likely to be disputed by Laurel, a skilled political operator who himself was part of the Marcos bloc until 1980.

Perhaps the weakest grouping within the administration is that formed by elite or middle-class nationalists—classified as 'liberal

democrats', or LDs, by the left. The liberal democrats are not only strongly anti-fascist, but they also espouse nationalist policies aimed at sharply reducing US political and military influence. Among these individuals are former Senator Jovito Salonga, head of the Commission on Good Government, an elite politician who evolved into a strong nationalist after the imposition of martial law; former Senator Jose Diokno, chairman of the Human Rights Commission, who is one of the most uncompromising critics of US bases and transnational corporations in the Philippines; and the Minister of Labour, Augusto Sanchez, noted not only for his nationalist credentials but also for his anti-capitalist views.

There are other appointees, who are considered even more radical, such as the Minister of Social Services, Mita Pardo de Tavera, and the Human Rights Commissioner, Sister Mariani Dimaranan, head of the prestigious Task Force for Detainees. It is with this grouping of liberal democrats and progressives that the US is most uncomfortable, for most of them are not known for putting expediency ahead of political principles. They are not an immediate threat, however, for though they are in highly visible positions, they are eclipsed in numbers and influence by the traditional elite reformists and the militarists. Their presence, nonetheless, lends the government an image of being progressive.

The composition of the ruling coalition is a response not only to the profound anti-dictatorial sentiment of the population, but also to the fact that the centre of gravity of mass political opinion has moved left in the last two decades, towards nationalism and egalitarianism. In a very real sense, there cannot be a return to the conservative elite democratic system that existed prior to 21 September 1972. The long Marcos rule created a deep-seated popular revulsion against elite exploitation, arbitrariness, extravagance, corruption, patronage, and warlordism—all of which were ruling-class political practices during the parliamentary republic which Marcos and his gang merely appropriated and developed to a cosmic scale. Likewise, the steady US backing for Marcos contributed immeasurably to the weakening of the 'colonial mentality' and the spread of a mass nationalism which was hardly appeased by President Reagan's last-minute ditching of Marcos.

The current coalition government represents a very messy method by which the elite reconstruct its hegemony among the Filipino masses, but given the heightened state of political mobilisation, which cuts across all classes, it has few other options.

Destabilising conflicts

The conflicts *within* and *among* the factions and tendencies making up the governing coalition are likely to be destabilising, especially as the overwhelming tasks of political and economic reconstruction get under way. Already, the traditional conflict over the spoils of political office has emerged among the elite reformists. Aquino supporters, Laurel's UNIDO Party and the PDP-Laban Party of the populist politician, Nene Pimentel, are currently locked in struggles not only over cabinet appointments but also over the apportionment of provincial and municipal posts. With cases of two or three appointments to the same public office coming to light, many Filipinos are beginning to wonder if the new government can, in fact, escape being smothered by the 'spoils system' that sapped the legitimacy of the pre-martial law republic and destroyed the dictatorship.

The tensions between the elite reformists and liberal democrats, on the one hand, and the militarists, on the other, will intensify. The first few weeks of Aquino's rule were marked by sharp, though muted, conflicts with the military over the release of leftist political prisoners and over the government's strategy toward the insurgency. Aquino's staging of a two-million strong demonstration a few days after the military had protested about her release of the alleged Communist Party founder, Jose Maria Sison, and other leftists was meant partly to show who was boss. After Enrile warned that the Armed Forces Reform Movement would 'have a say' if Aquino were to replace him, she responded by forming a Human Rights Commission whose members vowed to investigate and prosecute all 'official terrorists' all the way to the top of the military hierarchy. And against Enrile's and Ramos' strong preference for a mailed-fist approach toward the insurgency, Aquino unveiled a counter-insurgency programme which placed the emphasis on 'reconciliation' and reformist co-optation. The alliance between Enrile and Aquino is indeed a very fragile one, and it is unlikely to survive a determined effort by Aquino to bring human rights abusers to justice and to drive the military back to the barracks.

Aquino's group and the militarists, however, are likely to find themselves on the same side, struggling against the nationalists and liberal democrats when it comes to policies toward the US and US capital. The Human Rights Commission Chairman, Jose Diokno, has already raised once more the nationalists' demand that the bases be withdrawn soon. While Finance Minister Ongpin has laid out a

programme promising free enterprise and welcoming foreign capital, the Labour Minister, Augusto Sanchez, has called for tough restrictions on multinational firms and stronger measures to protect labour from 'dirty capitalists'. The nationalists are also already making life hard for the reformist elite and pro-Western technocrats on two issues: the International Monetary Fund austerity programme, which they want ended immediately and the \$26 billion foreign debt, a large part of which they want to repudiate outright.

The economic time-bomb

The instability and conflicts within the governing coalition will be exacerbated by a number of developments, but principal among these is the conjunction of a deepening economic crisis with heightened expectations of economic relief. Over the last two years, the GNP has fallen by 10 per cent. However, there is no relief in sight, for the crisis of the Philippine economy is not simply due to plunder by Marcos and his cronies. Nor is it merely a conjunctural problem associated with the international recession. It is a structural crisis associated with the economy's colonial, export-oriented character at a time of global recession, reduced demand for its traditional agricultural exports, and rising protectionism in the West against its newer, labour-intensive manufactured exports such as garments. The lack of a dynamic industrial sector based on an expanding internal market has meant the absence of a countervailing mechanism against the depression of the export sector. Thus, even without a Marcos plundering the Treasury and even if the international banks were to grant some relief from the onerous payments for the country's \$26 billion debt, it is unlikely that the economy will stop contracting in the next few years.

Aquino's strategy so far has been to buy time by exposing the full extent of Marcos' pillaging of the economy, kindling some hope in recovering the wealth kept in overseas banks and US real estate and calling for sacrifice in the months ahead.

The limits of such a strategy, however, are likely to be reached very soon, especially with people who have experienced nothing but the erosion of their living standards for the last fourteen years. At a time of great concern over the US budget deficits, it is unlikely that massive amounts of aid can come from Washington, although the international banks might temporarily ease their debt repayment terms and the IMF might relax its austerity programme.

That the popular radicalisation spawned by the economic disaster would continue after Marcos' departure had, in fact, been foreseen by Aquino's slain husband, and his words contain a grim warning for her:⁵ Look, you have a situation when Marcos falls, you come in, the Communists back off, and people expect you to make miracles. How do I put back three million jobs? How do I bring down the price of gasoline, for Pete's sake . . . So the people will say, 'Jesus Christ, you're the guy we waited eight years for? You're even worse! . . .' The thing I can say is, the first guy that will come in will be blown out in six months. Then a second guy will come in and he'll be blown out in six months.

Aquino and the Left

The future of the Aquino Administration will be greatly dependent on her relations with the Left. Has Aquino decisively outmanoeuvred the Left and marginalised it, as some analysts have claimed? Or is Aquino's glorious February Uprising merely a prelude to a Red October?

The conventional view propagated by the *Wall Street Journal* and the *New York Times* is that the Left was a big loser in the recent events since it lost its 'best recruiter', Marcos. Moreover, by choosing to boycott the 7 February elections, the Left—represented by groups such as Bavan, the largest popular opposition grouping, the Nationalist Alliance, and the outlawed National Democratic Front—is said to have lost the opportunity to gain a position of significant influence within the new administration.

Aquino's forces did not need the Left to win and her key advisers knew this right from the beginning. Moreover, explicit support from the Left, they feared, would play right into Marcos' hands by allowing him to paint Aquino as the 'candidate of the NPA', which he tried to do nonetheless, unsuccessfully. But most important, the Aquino forces were conscious that they were not only fighting to oust Marcos but also trying hard to outmanoeuvre the Left and prevent a real revolutionary solution to the Philippine crisis.

The Cory Aquino movement is a genuine populist phenomenon, but its leadership is provided by the elite and its main base is the urban middle class. It is the latest manifestation of the political mobilisation of

⁵ 'The Philippines: the more things change, the more they remain the same, an interview with Benigno Aquino', *Multinational Monitor*, February 1981, p 17.

the middle class which was sparked by the Aquino assassination in August 1983. This spontaneous movement absorbed the ineffectual elite opposition, then challenged the leading role of the mass-based, cause-oriented opposition which the National Democratic Front had helped to forge in the previous decade. The middle-class movement and the Left opposition coexisted uneasily until the National Assembly elections of May 1984, when the middle class threw its weight behind candidates of the elite opposition while the Left-led 'cause-oriented' opposition boycotted the polls.

It was not, however, until Cory Aquino's candidacy that the various elite and middle-class political factions pulled together, with Cardinal Jaime Sin of Manila and the Catholic Church hierarchy playing a decisive role in the process. Cory's ability to combine the image of suffering widow with that of a determined, courageous Joan of Arc image succeeded in bringing out on to the streets millions of the unorganised working masses—the great mass of struggling lower middle-class clerks, small stall-owners and vendors, small transport operators, unorganised workers and the vast number of residents of the cities' ever-expanding shanty towns. The organised forces of the Left within the lower classes could not match this spontaneous, populist wave, and, in fact, Bayan and the other organisations did not wage an active boycott campaign.

Aquino's populist success shows how far the Left has to go in its organising work among the urban masses. Ironically, however, it is success built on appropriating the tactics of the Left—pushing the limits of legality through militant confrontations and shaking the foundations of the regime through the extra-parliamentary mobilisation of the people. Indeed, Aquino's successful seizure of power would not have been possible without the groundwork that had been laid in the previous fourteen years by the Left's uncompromising opposition to Marcos, and without the 'space' for open opposition in the cities that had been created by the countless demonstrations staged by the Left in the 1970s which the regime had unsuccessfully tried to repress with violence.

The common goal of overthrowing the Marcos order, however, has so far overshadowed the competitive dimension in the relationship between Aquino and the Left. In a number of conciliatory statements, the National Democratic Front (NDF) has recognised Aquino as president, pledged support for 'positive measures' like the release of political prisoners, and urged her to make moves toward land reform and greater independence from the US. Indeed, the Left assesses

Aquino's ascendancy as a 'crack in US imperialism's hold on the Philippines.'⁶

Aquino, for her part, has initiated a policy of 'reconciliation' with the Left, aimed at integrating it into the 'democratic mainstream'. The release of all political prisoners, including the top leaders of the Left (including the alleged founder of the Communist Party, Jose Maria Sison) and the naming of nationalists and some progressives close to the mass movement to cabinet positions are gestures in this direction.

Competition, however, is not far from the surface. Like her slain husband, Aquino and her closest advisers see bringing the Left into the parliamentary process as a way of taming it, confident that, as in Europe and Japan, the revolutionary Left would remain a minority if it enters the bourgeois democratic arena. The Left, for its part, views the 'democratic space' created by the new regime as providing an opportunity for it to experiment with new tactics and new forms of organisation to win over the unorganised masses and 'middle forces' which have been activated by the Aquino candidacy and the February uprising.

In the immediate future, the state of relations between Aquino and the Left will depend greatly on resolving the status of the New People's Army (NPA), the main armed wing of the NDF. Aquino has offered a cease-fire and an amnesty for insurgents who lay down their arms, coupling this with a warning that 'those who do not [heed the call to reconcile] will face a reformed and reinvigorated fighting force dedicated to the protection of democracy and the honour of our country'. In response, the NDF and the general staff of the NPA have stated that '[with] just, sincere, and prudent moves of the concerned parties, a negotiated ceasefire [is] possible on a nationwide scale.' They add, however, that 'objective conditions at the present time do not permit the surrender of the people's right to bear arms in the defence of their revolutionary gains in the past 17 years'.

Just negotiating a ceasefire will be hazardous, for the Left will demand measures to guarantee its safety, including the dismantling of military units guilty of human rights abuses, meting out justice to military men implicated in such abuses, and the withdrawal of military units from large areas of the countryside under NPA control. Cory Aquino might just be receptive to these conditions, but it is unlikely that Enrile and the military will agree to them. Indeed, even as Aquino

⁶ National Democratic Front International Office, 'Statement on the new government', 27 February 1986.

announced the policy of reconciliation, the military was carrying out search and destroy missions in various parts of the country and redeploying several battalions from the cities to areas of the country marked by high levels of insurgency.

For the Left, in fact, the main threat does not come from Aquino's policy of co-optation but from the militarist faction of the government, which it sees as waiting in the wings, waiting to reassert its dominance at the appropriate time, with backing from the US government, whose main interest continues to be the eradication of the Left through a military solution. One NDF document describes the government as highly unstable and sketches what it sees as the likely scenario in the next few months or years:⁷

The instability and conflicts in the governing coalition will be exacerbated by the continuing economic crisis, the growing popularity of demands for fundamental solutions to the Philippines' basic problems, and the advance of the national democratic movement. The new regime has raised expectations of swift, widespread, and thorough political and economic changes which it cannot possibly fulfill, given its essential character as a government of the ruling class. In the face of mounting dissatisfaction . . . the government will find it increasingly difficult to maintain a policy of trying to coopt the revolutionary movement. This will make the US prescription of a vastly stepped-up counter-insurgency program more attractive to the government. The US has, in fact, made it quite clear that its continued support for the Aquino government is contingent on its capacity to implement a more effective counter-insurgency effort than that which took place under the Marcos regime.

These measures will inevitably translate into a consolidation of the fascist machinery, a resurgence of the military's influence in politics, the blunting of democratic reforms, even more intense splits within the ruling coalition—all of which could result in the ascendancy of the fascist faction.

A prolonged political honeymoon between Cory Aquino and the Left would, despite their differences, go a long way toward moving the country toward a more progressive political order. The US and the Philippine military, however, will never allow a *modus vivendi*, while the elite political parties seem determined to bring back the old politics of patronage. To complete her already limited programme of democratic reform, Cory Aquino will have to break with the US and with the elite. She has, indeed, consistently and pleasantly surprised the country with her progressive moves. But there are limits to elite populism.

⁷ National Democratic Front Committee for North America, 'The New Philippine situation and our immediate tasks', 9 March 1986, p 8

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UN SYSTEM

International Fund for Agricultural Development (IFAD)

Governing Council: Ninth Annual Session

Time, 21-24 January 1986

After eight rounds of consultations, lasting a period of two and a half years, an agreement was reached among donor countries on the second budget replenishment of IFAD II. The agreement, reached when negotiations resumed in Rome in January 1986, was endorsed by the 141-member Governing Council.

The negotiations, which began in June 1983, had been prolonged by a dispute between members of the Organisation of Petroleum Exporting Countries (OPEC) and the Organisation for Economic Cooperation and Development (OECD), chiefly over their relative budget contributions. IFAD, which targets concessional loans to poor farmers in developing countries, was founded on a partnership of OPEC and OECD countries, which had resulted in their funding IFAD in a ratio of OPEC to OECD contributions. OPEC members' efforts to reduce their contributions owing to falling oil revenues had, however, met with opposition from the US, which insisted on retaining the original ratio.

An agreement was reached on IFAD II after the US lowered its objections to a reduction in OPEC's proportionate contribution from 42 per cent to 40 per cent. The level of funding agreed upon was, however, much lower than had been sought. A replenishment of \$500m over the three years 1985-7 was agreed upon, constituting a 10 per cent budget drop from previous funding levels, amplified by taking inflation into account. (The original fund agreed in 1977 had been \$1bn and IFAD I, agreed in 1980, had been \$1.1bn, with 56 per cent from the OECD, 41 per cent from OPEC and 3 per cent from non-oil exporting developing countries.) At the time of the Council meeting, only \$460m had actually been pledged by donors (\$276m from OECD countries and \$184m from OPEC countries). Since a further \$24m was to come from non-OPEC developing countries, OPEC and OECD members agreed to make up the remaining \$16m by 19 February 1986, on the basis of a 2:3 ratio. The disappointing level of the replenishment was partly offset by the Council's approval of a separate budget of \$300m for IFAD's Special Programme for arid and semi-arid African countries affected by drought and desertification. The programme, focusing on small-scale agricultural and irrigation projects in the arid zone, was a departure from IFAD's usual funding arrangements, in that it was financed mainly by OECD countries. The total amount pledged at the time of the meeting was \$200m.

In view of the difficulties experienced in securing IFAD II, IFAD's President, Georges Izzi, established a committee of experts to study ways of financing IFAD in the future, without abandoning its 'special character' and governing structure, which gave equal voting power to the three groups of countries (twenty OECD, twelve OPEC and 109 other developing countries.) The committee was to begin work in February 1986 and to prepare a report for the next meetings of the IFAD Executive Board and the Governing Council. The decision was also taken, at the suggestion of Idriss Mahdoui, to reduce IFAD's already low operating costs by 8 per cent.¹

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● 'We had to wait nearly two years to achieve a consensus among the members of the Fund on the Second Replenishment of IFAD's resources and another eleven months to evolve from consensus to unanimity . . . In the end, members have come forward with the necessary flexibility and determination to secure the future of the Fund at least for the time being. We must now translate this confidence and resolve of the member-countries into the efficient utilisation of the resources at our disposal and into charting a more permanent basis for the future operations of the Fund.' Idriss Jazairy, President of IFAD, following the securing of IFAD II. *UN Press Release IFAD/287*, 24 January 1986.

'We felt we needed to have a lifestyle appropriate to an organisation whose role is to deal with poverty.' Idriss Jazairy, commenting on IFAD's decision to cut its operating costs. *Financial Times* (London) 29 January 1986.

▲ Commission on Transnational Corporations (TNCs)
Reconvened Special Session
New York, 20-31 January 1986

■ The special session of the Commission was reconvened to discuss the draft code of conduct on TNCs, most of which had been approved at previous meetings, but which remained the subject of residual disagreements.² An extensive exchange of views on the outstanding issues in the draft code was reported to have clarified the opposing positions involved, but to have proved inconclusive. It was decided that a one-day resumption of the session would be convened, after further informal consultations.³

▲ UN Conference on Conditions for the Registration of Ships
Fourth Session
Geneva, 20 January-7 February 1986

■ After four sessions of the conference, conducted under UNCTAD's auspices since July 1984, the hundred participating countries adopted a convention on conditions for the registration of ships. The twenty-one article treaty, aimed at curbing some of the worst abuses associated with open registries or 'flags of convenience', is the first international legal instrument which identifies the components of the 'genuine link' supposed to exist between a ship and the flag it flies.

The three main economic conditions for the registration of ships, concerning ownership, management and manning, had largely been agreed upon at the third session of the conference, in July 1985.⁴ Yet to be decided had been their legal status. The fourth session determined that of the three central articles in the treaty, that on management should be mandatory, while states should have to satisfy either the conditions on ownership or those on manning, or both. The Chairman of the conference, and Merchant Marine Minister of the Ivory Coast, Lamine Fadika, explained that the choice was to take account of different conditions prevailing in flag states. Some might lack sufficient manpower among their nationals or residents to create a genuine link through satisfying the manning requirements, while others

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might lack sufficient capital to participate through ownership. Flag states were, however, required to ensure that the crews of their ships were sufficiently competent to guarantee the application of international standards of safety. The terms and conditions of employment were also to be checked for conformity with international standards, by the state of registration. Labour-supplying countries, which include the Philippines and South Korea, were also expressly encouraged to conclude bilateral agreements with flag states to protect their nationals.

The mandatory article on management in effect makes the flag state responsible for ensuring that those accountable for managing the ships they register are also capable of discharging any financial obligations they may incur through damages. Another key article in the convention provides for the establishment of 'national maritime administrations' in flag states, to check for compliance with international regulations, particularly those on safety and marine pollution. A further provision obliges flag states to ensure that their ships are adequately identifiable, and therefore fully accountable, particularly for the purpose of identifying and punishing maritime fraud.

The convention fell short of the aspirations of some developing countries, which had argued that flags of convenience were preventing them from expanding their own merchant shipping fleets, by allowing Western companies to recruit low-wage foreign crews. It was thought that the open registry system was unlikely to disappear as a result of the convention, which would in any case not enter into force until it had been ratified by forty states, accounting for at least 25 per cent of the world's gross tonnage. Lamine Fadika expressed the hope, however, that the treaty would become operational within five years, but predicted that its effects would be gradual and progressive.⁵

INTERNATIONAL MONETARY FUND/WORLD BANK

▲ International Development Association (IDA)

Meeting of Donor Countries

Paris, 27-28 January 1986

■ The thirty-four donor countries to the IDA met for their first round of negotiations for its eighth replenishment (IDA VIII).⁶ IDA, the soft loan affiliate of the World Bank, provides long-term, virtually interest-free loans to the poorest countries, with per capita incomes of below \$790 per annum.

According to Moeen Qureshi, the IDA Senior Vice-President chairing the negotiations, the donor country representatives had fixed a negotiating range of between \$10.5bn and \$12.5bn. They appeared, however, to have determined a \$12bn target for the three years beginning in July 1987, when IDA VII runs out. Such a sum would constitute the same in real terms as IDA VII plus the Special Fund for Africa (the special fund provides \$1.3bn for sub-Saharan Africa by fifteen industrialised countries who were disturbed by the low figure of \$9bn insisted upon by the US for IDA VII in January 1984). The proposed \$12bn would, however, be substantially less in real terms than IDA VI, which ran from 1981-4.

The Chairman of the negotiations also reported the tentative response of the donor

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countries to US proposals for changing the terms of IDA loans. They accepted the suggestion to reduce the maturity of loans from fifty to forty years, provided that the replenishment was large enough. They were generally favourable to using some of IDA's resources in association with the IMF Trust Fund. They considered the possibility of reviewing specific loans after a twenty-year period, to assess any improvements in a country's financial position, but were not prepared to countenance higher interest rates on the loans, as the US was advocating. Though the representatives agreed that IDA's priority should be aid to sub-Saharan Africa, they were in favour of maintaining the current nominal levels of concessional flows to India and China. Both these countries were eligible for IDA funds, but were threatened by US efforts to secure changes in the distribution of loans.

Further meetings of donor countries were scheduled for April and June 1986, to prepare for the completion of the replenishment negotiations by the time of the annual IMF and World Bank meetings in September 1986.⁷

COMMODITIES

▲ UNCTAD Committee on Commodities

Eleventh Regular Session

Geneva, 2-13 December 1985

■ Some one hundred participants on the committee concluded their regular session with agreement on three substantive issues: the role of International Commodity Agreements (ICAs); international action on commodities not covered by ICAs; and the participation of developing countries in the processing, marketing and distribution (PMD) of the commodities they export.

The committee had begun to assess the role of ICAs, negotiated under the Integrated Programme for Commodities (IPC), at a special session in June 1985.⁸ No consensus had been reached then, but draft texts had been submitted by the Group of 77 (G77) and the industrialised countries respectively, which were considered by the committee in December 1985. The ICAs examined were the eight negotiated or renegotiated under UNCTAD's auspices: cocoa, jute, natural rubber, olive oil, sugar, tin, tropical timber and wheat. (The ICA on coffee was concluded within the UN, but renegotiated outside UNCTAD.) The conclusions adopted could be seen as a renewed commitment to ICAs as a fundamental component of the IPC, despite the pessimistic forecasts for commodity agreements due to the collapse of primary commodity prices since 1980, and specifically to the 'tin crisis'. As a result of the failings of certain agreements, a number of recommendations were made for the success of ICAs:

- Price stabilisation measures, either buffer stocks, export quotas or other supply management measures, applied singly or in combination, should be capable of defending 'floor' and 'ceiling' prices with equal effectiveness.
- There must be adequate financial resources to ensure that a buffer stock operates effectively.

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- Supply management measures should be supported by the vast majority of important producing and consuming countries.
- Agreed price levels should be 'market-related and compatible with dynamic market conditions'. There should also be price adjustment mechanisms (where possible automatic or semi-automatic) to take account of market conditions. Price ranges structured to include discretionary zones, to defend floor and ceiling prices more effectively are recommended.
- The ICA should have the participation and support of as many producer and consumer countries as possible, and they should strictly observe the balance of rights and obligations under the agreement.
- Producers and consumers should make use of industry advisers in approaching the negotiations.
- The potential importance of the Common Fund for Commodities for the IPC was noted, and committee members urged to ratify the agreement establishing it.⁹

The eleven IPC commodities not covered by ICAs (six agricultural: bananas, cotton, hard fibres, vegetable oils, tea and meat; and five mineral or metal: bauxite, copper, iron ore, manganese and phosphates) were the subject of a report by the UNCTAD Secretariat.¹⁰ Intergovernmental work on these commodities was said to be at a virtual standstill. On the basis of the report's suggestions, and of a G77 proposal, a resolution was adopted by the committee. Ad hoc intergovernmental meetings on non-ICA commodities under the IPC, and on hides and skins (over which the committee had previously expressed concern) would be held if prior consultations between the UNCTAD Secretary-General and principal and interested producer and consumer countries registered a 'perceived need' for them, a need confirmed by UNCTAD's Trade and Development Board, after reviewing these consultations at its session in March 1986. These ad hoc meetings would review the problems in the world market for each commodity, and the present state of intergovernmental work on it, before recommending some form of international cooperative action, prior to the UNCTAD VII conference.

The issue of developing country participation in the processing, marketing and distribution (including transportation) of their export commodities had been considered at a special session of the committee in January 1985.¹¹ No common ground had been found between G77 and industrialised countries on frameworks of international cooperation on PMD. At the December meeting, a measure of agreement emerged on the frameworks, though the main body of work on their substantive content remains to be completed. The committee agreed that the frameworks should be mutually acceptable principles for global cooperation, but specific to each commodity sector, and aimed at expanding the processing and exporting of primary commodities in developing countries, and increasing their participation in the marketing and distribution of them. It was also recognised, in deference to the view of the industrialised countries, that the issue of criteria for those frameworks should be given importance. It was not determined whether the mutually acceptable principles referred to would encompass specific measures.¹²

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▲ Inter-African Coffee Organisation
Ministerial Meeting
Abidjan, Ivory Coast, 11 January 1986

International Coffee Organisation (ICO)
Executive Board Meeting
London, 20-24 January 1986

■ Representatives from eight consumer countries and eight producer countries of the seventy-member International Coffee Agreement (ICA) met to consider two main issues: whether to suspend the ICA's export controls before their automatic suspension in mid-February 1986, in order to reverse the recent dramatic rise in coffee prices; and how much of the ICO's market-control machinery to retain once export quotas were removed.

At the time of the meeting, average coffee prices had risen to over 60¢ above the \$1.20-\$1.40 per pound range which the ICA seeks to defend. The price rise was the result of speculation on the likelihood of a shortage of supply of export-quality coffee, following the drought affecting the 1986 coffee crop of Brazil, normally responsible for one-third of the world's coffee production. It occurred despite the ICO having increased its 1985-6 global export quota by 5m bags, to its maximum of 63m bags.¹³ In response to this rise in prices, President Belisario Betancur of Colombia, the world's second largest coffee producer after Brazil, had launched an initiative to support the ICA and lower prices to within the target range. In a letter at the end of December 1985 to fifteen heads of state of coffee-producing countries in Latin America, Africa and Asia, he called for the immediate suspension of the ICA's export quotas, before their automatic lapse under ICA rules on 19 February 1986.¹⁴ (The ICA determines that quotas should be suspended if the average coffee price remains above \$1.50 per pound for forty-five consecutive market days.)

This initiative was supported by the twenty-five members of the Inter-African Coffee Organisation, of producer countries. At their meeting in Abidjan, the organisation's Chairman, Ivory Coast's Agricultural Minister, Denis Bra Kanon, said that the recent price rise was 'artificial', since there was sufficient coffee to meet demand, and African countries, which account for thirty per cent of the world's production, could easily meet their 1985-6 export quotas of roughly 15.6m bags. While coffee exporters were enjoying the benefits of high prices in the short-term, they were wary of the eventual collapse in prices, bound to follow from reduced consumption and falling demand, as had occurred after the 1975 frost disaster in Brazil. They were also anxious to safeguard the future of the ICA, which represented their long-term security as producers, in the face of increasing disenchantment with the agreement and its failure to defend its price ceiling, among consumer countries. The US in particular had already threatened to withdraw from the ICA, over its failure to secure penalties against exporters' undershipment of their quotas, and the related problem of sales to non-ICO members.¹⁵ In the context of this disaffection with the pact, the producers' move to suspend their ICA quotas and increase exports in order to lower the price of coffee could also be construed as a political gesture towards placating consumer countries.

The position of producer countries at the ICO Board meeting was summarised by their spokesman, Jorio Dauster of Brazil. He said that they were prepared to

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anticipate the suspension of export quotas, provided that ICO export and import monitoring controls were retained. These controls, such as the provision of certificates of origin, were seen as vital in enabling the ICO to reimpose quotas once the price had fallen, though producers may also have seen them as a means of preventing traders in free ports from entering the market once ICO quotas were removed.

The response of the consumer countries, particularly the US, West Germany and the Netherlands was, however, sceptical. They were apparently against setting a precedent for early suspension of quotas, which could then be applied to their early reimposition when prices fell. No agreement was reached at the meeting to suspend quotas, which were left to lapse automatically on 19 February 1986.¹⁶

The next meetings of the International Coffee Council and Executive Board were scheduled for 21 April–2 May 1986.¹⁷

▲ UN Cocoa Conference 1984

Fourth Part

Geneva, 10 February–4 March 1986

■ Representatives from some seventy cocoa producer and consumer countries made a fourth attempt to negotiate a successor to the International Cocoa Agreement (ICCA). The agreement expires on 30 September 1986, and having been extended twice, the last time in July 1985,¹⁸ its terms preclude its further renewal. Previous negotiations had foundered over disagreements on the two key issues of price levels and price adjustment mechanisms, which continued into the current talks and necessitated their extension beyond the initial deadline of 28 February 1986. The negotiations received their decisive setback, however, when the representative of the Ivory Coast, the world's largest cocoa producer, announced its refusal to join a new agreement.

During the session, the consumer countries presented a proposal for the automatic adjustment of price levels, in line with buffer stock operations and currency fluctuations. There were three parts to their proposal:

- If over a given period the average indicator price remained outside the given price range, and should the International Cocoa Organisation (ICCO) Council be unable to agree on a revision within ten days, a formula would automatically be applied to bring the average price within the required range.
- If buffer stock purchases or sales exceeded a given tonnage over a specified period of time, a Council session would be held. If the Council were unable to determine a price change within five working days, and if the indicator price were outside the given range, prices would automatically be adjusted by a fixed amount.
- A special Council session would be convened if the value of the US dollar (in which the prices in the ICCA are fixed) deviated from a basket of currencies by a given percentage over a given period.

Producer countries put forward alternative proposals. They wished price revisions to be confined to an annual review, and to a movement of US 4¢ per pound in either direction, if the Council was deadlocked after ten days of meetings, if the indicator price was outside the given range, and if 100,000 tons of cocoa had been bought or sold within any six consecutive months since the last annual review.

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The discussions were effectively halted by the Ivory Coast's decision to remain outside any cocoa pact. The Ivory Coast, representing twenty-six per cent of the world's output, had not joined the last ICCA in 1980, and then as now had objected that an agreement would not ensure long-term price stability. The representative of the EEC, the largest consumer, then suggested aborting efforts to negotiate the economic provisions of a new pact, confining it merely to an administrative agreement. Leading consumers, particularly the 'hardline' British and West German governments, have always insisted on the need for full producer participation in a new pact.

A consensus decision was taken to continue consultations at the ICCO Executive Committee meeting on 2-6 June 1986 in London, to finalise arrangements to replace the ICCA by the end of July at the latest. The conference would be resumed on 7-11 July 1986 in Geneva. Consumer countries appeared to assume that these arrangements would focus on an administrative agreement, the gradual running down of the existing 100,000 ton buffer stock, and the division between producers and consumers of the \$234m in collected levies to the ICCO. Producers, however, attempted to ensure that the wording of the consensus decision did not preclude the future arrangement of an agreement with effective economic provisions.¹⁴

● 'We have reached the moment of truth. We are all subject to the arbitrary decisions of the exchanges in New York, Chicago, London and Paris. Nobody can guarantee us a minimum price,' Denis Bra Kanon, Ivory Coast Minister of Agriculture, disclaiming the power of commodity agreements to protect cocoa producers from speculation on prices. *Financial Times* (London) 27 February 1986.

▲ International Wheat Council

One Hundred and Fourth Special Council Session and Conference
London, 10-13 March and 14 March 1986

■ A new International Wheat Agreement was successfully concluded, to replace the existing one which expires on 30 June 1986. It again comprises two separate elements: the Wheat Trade Convention and the Food Aid Convention.

The new Wheat Trade Convention is designed to reinforce international cooperation between grain exporting and importing countries, and its scope has been widened to include other grains, such as maize and barley. It aims to promote trade in grains and to combat protectionism and discriminatory practices particularly those affecting the interests of developing country members. It also aims to contribute towards world food security and stable markets. It was to come into effect on 1 July 1986, for five years, ending on 30 June 1991. The Council may, however, end it before its expiry date, or extend it for successive two-year periods.

Negotiation for a new Food Aid Convention was completed by the Food Aid Committee on 13 March 1986. Its objective remains the achievement of the World Food Conference target of at least 10m tons of grain per year as food aid to developing countries. The special emergency needs provision, enabling the committee to advocate the supply of increased amounts of food aid to members, was broadened to enable it to respond to food production short-falls in particular regions,

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such as sub-Saharan Africa or South Asia. The Food Aid Committee acquires increased powers under the agreement, such as those for requesting information on low-income food-deficit developing countries, grain surpluses in developing countries, available for cash purchase, and the possible effects of food aid on grain production and consumption in recipient countries. The agreement was to remain in effect for three years, or be extended by the committee for successive two-year periods, with members' annual contributions subject to review prior to the extension.²⁰

▲ International Tin Council (ITC)
Resumed Special Session
14 January 1986–14 March 1986

Sixteenth Ordinary Session
19–21 March 1986

■ The ITC resumed its series of special sessions which had begun after the suspension of its buffer stock operations on 24 October 1985, and had been adjourned on 20 December 1985, without having found a solution to the 'tin crisis'.²¹ During the recess, however, a new plan was devised in Britain which formed the basis for discussions amongst ITC members and creditors over the next few months.

The new plan, formulated by Peter Graham, Senior Deputy-Chairman of Standard Chartered Bank, and Ralph Kestenbaum, Joint Managing Director of Gerard Metals, in December 1985, was based on the creation of a new company. This company, 'Newco' as it was dubbed, would take over the ITC's assets and liabilities, including tin stocks, and contracts to purchase tin. (The ITC's debts at the time its buffer stock ceased operation were estimated at £350m to banks, and a further £1bn in forward deals to purchase tin from brokers.) The remaining ITC buffer stock of 85,000 tons was then to be sold off gradually, over a period of three years, to prevent a sudden fall in tin prices, hence minimising losses. The company would require funds of £270m, with £200m to come from the ITC's twenty-two member-governments, £50m from brokers and £20m from banks. The plan would absolve ITC members' obligations to the Council, in return for their commitment to share 'Newco's' losses with brokers and banks.

The initial outcome of the ITC's deliberations in informal sessions with creditors and a full Council session, was that the six ITC producers were willing to negotiate with creditors on the basis of the 'Graham-Kestenbaum Plan', while the consumers were divided. The division stemmed from differences between EEC countries, which had been unable throughout the crisis to agree a common position. While Britain was one of the few member-governments to have accepted legal responsibility for the ITC's debts, France, West Germany and the Netherlands refused to accept liability or to give the EEC a mandate to negotiate with creditors. With regard to the new plan, they were seeking a deal whereby the banks and brokers would contribute

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more, with producers also providing more finance than consumers, and were adamant that the ITC should not have full negotiating powers with creditors. (The voting power in the ITC was divided equally between its six producer and sixteen consumer countries.) During this discussion, a Japanese adaption of the Graham-Kestenbaum Plan was also proposed, whereby 'Newco' would be funded by changing the status of the sixth International Tin Agreement (ITA). Provisional since its inception in 1982, the ITA would be rendered definitive, thereby committing governments (regardless of the question of legal liability) to contributing between £60m and £100m, according to various calculations.

Following a period of intense diplomatic pressure on the dissenting EEC countries (notably by Britain, which feared for the future of the London Metal Exchange (LME) and for London as a financial and commodity centre if the tin crisis was unresolved) the positions of the three countries softened. On 23 January 1986, following a meeting in Brussels, the EEC announced that it had reached unanimous agreement on the principle of holding negotiations with creditors, though it remained divided on the terms of a desired settlement: Britain dissented from the majority view that even £100m was too great a contribution for the ITC to make towards the setting up of 'Newco'. Once the EEC agreement was conveyed to the ITC, the Council announced on 29 January 1986 that it had agreed to start negotiations with creditors.

The first round of talks between ITC representatives and creditors began on 31 January 1986, with the ITC accepting the principle of 'Newco', but unable to agree on its funding. On 5 February 1986, a consensus emerged whereby the ITC would contribute £60m (far less than the £200m suggested in the original plan), with consumers and producers each giving £30m. The next day, Britain announced a conditional offer of a further £25m if the other twenty-one members of the ITC would raise their contribution to £100m, which they then accepted, or a further £50m if they would provide £120m, which they declined to do. Britain had also agreed to give a government guarantee for the first £50m. On 7 February 1986, creditors suggested they might raise their own contribution from £70m to £100m, while pressing the ITC to give £120m, which in turn would trigger Britain's larger offer.

Differences also emerged in the negotiations on legal and technical aspects of the plan. With regard to 'Newco's' strategy for selling the ITC's buffer stock, the creditors favoured selling in regular lots over three years, regardless of price, and while consumers tended to agree, producers favoured more flexibility, with selling over a longer period to keep prices buoyant. While Ralph Kestenbaum had advocated the retention of tin export quotas for the duration of 'Newco', the producers wanted to end the restriction of output to 60 per cent of capacity. Agreement on a legal formula to give 'Newco' and share-holding governments immunity from prosecution also proved elusive. Notwithstanding these differences, on 22 February 1986, a confidential Memorandum of Understanding emerged from the negotiations, in the form of a draft settlement, to be submitted to ITC member governments for approval.

The provisional agreement was understood to have posited a new company, now called 'Tinco', which the negotiators agreed would require £270m in funds, and a further £50m in loan guarantees, with £120m (still disputed within the EEC) coming from the ITC, £50m from Britain and £100m from creditor brokers and banks. Buffer

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stock sales would take place over three years, at an average price of £6,000 per ton (as compared with the ITA's official price of £8,140 per ton) though, as a concession to producers, 'Tinco' could delay sales if prices were too low.

The ITC initially failed to endorse the Memorandum of Understanding owing mainly to dissatisfaction with the clause on legal immunity from prosecution. On 5 March 1986, however, the EEC countries were persuaded to give their unqualified backing to the deal, making consumer countries unanimous in their support, though they wanted certain minor modifications included. The next day, the Tinco plan collapsed, after the Indonesian representative declared that it was unacceptable. Indonesia objected that the plan could not effectively prevent excess tin from non-ITC producers, such as Brazil and China, from reaching the market and lowering prices, and that its own contribution of £15m was excessive. Of the producers, only Australia, and at the last minute, Malaysia, had backed the plan, while Thailand, India and Nigeria reserved their positions.

Following the failure of the latest rescue plan, the sixteen banks holding 45,000 tons as collateral on loans worth £350m considered themselves free to sell their stocks, whatever the effect on prices. Meanwhile, the LME set a single settlement price of £6,250 per ton for all outstanding contracts to buy from brokers, and debts of £150m were settled by its deadline of 12 March 1986 without defaults. Tin trading remained suspended.²²

The sixteenth ordinary session of the ITC decided not to extend the current export controls beyond their expiry date on 31 March 1986, on the grounds that the fall in the price of tin to £3,600 per ton would itself limit production levels.²³

● 'It is now clear that the ITC's evasive position is being led by the West Germans and the French—both of whom have been aware for at least two years that the ITC was likely to run out of funds with huge debts as a result of the operations the ITC was authorising . . . If a company knowingly traded in this manner it would be a criminal: that European sovereign states should renege on their obligations in this way shows an irresponsibility and cynicism which leads one to believe that it was deliberately allowed to occur in order to damage the reputation and financial strength of the UK's financial and commodity markets.' Ralph Kestenbaum, spokesman for the brokers, and co-author of the 'Newco' Plan, in a statement issued prior to the EEC decision to accept the principle of negotiations with creditors. *The Guardian* (London) 17 January 1986.

'Some consuming member nations are prepared to put up limited amounts of money. But they do not want to give the impression that putting up money could be seen as accepting legal liability for the claims . . . We think those who have the greatest interest in the matter should bear the largest part of the burden.' Onno Ruding, the Dutch Finance Minister, indicating a softening of attitude towards the possibility of a financial deal, but insisting on sovereign immunity for the ITC's member-governments, and, in a suggestion strongly repudiated by Sirman Widiamo, the chief Indonesian delegate to the ITC, asserting that the ITC producers should contribute more than the consumers. *Financial Times* (London) 21 January 1986.

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DISARMAMENT

▲ Soviet Union–United States

Arms Control Negotiations: Fourth Round

Geneva, 16 January–4 March 1986

■ The Soviet and US negotiators met for their fourth round of nuclear and space talks, committed by the Gorbachev–Reagan Summit communiqué of November 1985, to ‘accelerate’ their negotiations.²⁴ The previous three rounds had largely been deadlocked owing to differences over the US Strategic Defense Initiative (SDI). During the third round, however, Soviet and US proposals had been tabled which covered all three areas of the talks: strategic nuclear weapons; intermediate-range nuclear weapons; and space and defensive weapons.²⁵ It had been expected that the fourth round would entail a detailed examination of these existing proposals. Instead, much of the new round was spent in the elaboration of further Soviet and US formulae for arms control. Notwithstanding the agreement of confidentiality on matters of substance at the talks, the two sides’ proposals were widely publicised.

On 15 January 1986, just prior to the resumption of the talks, Mikhail Gorbachev announced on Soviet television a new initiative for ‘Nuclear Disarmament by the Year 2000’. The content of the announcement was then formally conveyed at the Geneva talks by the chief Soviet negotiator, Viktor Karpov. The fifteen-year timetable for the ‘complete elimination of nuclear weapons throughout the world’ was to be followed in three stages:

- stage one, lasting from five to eight years, involved a mutual 50 per cent reduction in US and Soviet strategic nuclear weapons, to leave no more than 6,000 strategic nuclear charges each. It also involved the elimination of the two sides’ respective intermediate-range nuclear forces (INF) within range of Europe; a freeze on the nuclear forces of the European nuclear powers (Britain and France); and a ban on the transfer of strategic weapons from the superpowers to their allies.

- stage two, starting in 1990, and lasting five to seven years, would involve the participation of the other nuclear weapon states (Britain, China and France). There would be a freeze on all their nuclear weapons, and the continuation of the superpowers’ cuts until the Soviet Union and US reached their target of 50 per cent mutual reductions. At that point all tactical nuclear weapons (with a range of up to 1,000 kilometres) would be eliminated. Meanwhile, the space weapons programmes of all countries would have been terminated.

- stage three, beginning not later than 1995, and lasting till the year 2000, would involve the elimination of all remaining nuclear weapons, and the enacting of a universal ban.

All stages were to entail special procedures for dismantling and verification, including on-site inspection. All proposals were to be contingent on a mutual renunciation of space strike weapons. Mikhail Gorbachev also announced a three-month extension of the Soviet Union’s unilateral nuclear testing moratorium, which had expired on 31 December 1985. It was now to run until 31 March 1986, and beyond that, with appropriate verification including on-site inspection, if the US would join it.²⁶

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While the US formally rejected the invitation to join the extended nuclear test ban, on the basis that the Soviet Union had completed its own tests prior to announcing its moratorium, initial reactions to Gorbachev's plan were guardedly welcoming. It was the first Soviet proposal which did not insist on the retention of Soviet SS-20s in Europe to match British and French nuclear forces. It became apparent, moreover, that the Soviet offer on eliminating INF from Europe was not made conditional on the termination of SDI, but was 'free-standing'.²⁷ After consultations with its allies, however, major problems were discerned by the US in the Soviet proposal. Representatives of Japan, Australia and China voiced serious concern over the absence of any initial reduction in mobile Soviet SS-20s based in Asia. Britain and France were concerned at the requirement that they cease to enlarge or modernise their forces (which would include Britain's forgoing the new Trident missile system), and insisted on negotiating separately with the Soviet Union, after the superpowers had enacted their strategic weapon reductions. Other Western European representatives were reported to have expressed concern for their own countries' security, if US INF were to be removed from Europe, and a ban placed on receiving US strategic nuclear weapons. Fears were raised of the 'political de-coupling' of Western Europe from the US.

The official US response to Gorbachev's proposal came in a letter to the Soviet leader, the content of which was conveyed at the Geneva talks on 24 February 1986. President Reagan chose to focus on the INF element of the offer, proposing his own three-stage plan for the global elimination of INF within the next three years.

- the first year would involve a reduction of INF in Europe to 140 launchers each, with a proportionate cut in Soviet SS-20s in Asia.
- in the second year the numbers remaining would be halved again.
- by 1989, more than 200 US-built Pershing-2 and cruise missiles in Europe, and more than 400 Soviet SS-20s in Europe and Asia would have been removed.

The plan would also involve the withdrawal of Soviet short-range SS-22s and SS-23s from East Germany and Czechoslovakia. The freeze on British and French nuclear forces was rejected on the basis that the US could not negotiate on behalf of its independent allies. Also rejected were the suggestions of a ban on the transfer of US missiles to its allies, and of a test ban. No attempt was made to match Gorbachev's strategy for the elimination of strategic nuclear weapons by 2000, but the US offer of 50 per cent cuts in strategic forces was emphasised.²⁸

The US proposal was not discussed in detail at the talks, but the initial Soviet reaction, as expressed by Mikhail Gorbachev in his address to the Soviet Communist Party Congress appeared hostile.²⁹ The negotiations were further complicated by a suggestion from Gorbachev that the holding of a further superpower summit in the summer or autumn of 1986, could be dependent on progress at the Geneva talks, particularly on the issues of INF in Europe, and the nuclear test ban. At the close of the talks, the US negotiator, Max Kampelman, said that both sides were committed to a separate agreement on INF. Serious differences remained, however, concerning the nature of such an agreement as well as the remaining areas of strategic and space weapons, and test banning.³⁰

● Instead of wasting the next 10-15 years by developing new, extremely dangerous weapons in space, allegedly designed to make nuclear arms useless, would it not be more sensible to start eliminating those arms and finally bring them down to

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zero?' Mikhail Gorbachev, the Soviet leader, in his statement on Soviet television. *Soviet News* (London) 22 January 1986.

'Many elements contained in the response are unchanged and continue to cause us serious concern. There are others that at first glance may be constructive.' US President Ronald Reagan's initial reaction to the Gorbachev proposal. *Armament and Disarmament Information Unit (ADIU) Report* (Sussex) January-February 1986.

'In our view the total elimination of nuclear weapons will require at the same time the correction of the conventional and other force imbalances, full compliance with existing and future treaty obligations, peaceful resolution of regional conflicts and a demonstrated commitment by the Soviet Union to peaceful competition.' President Reagan's considered response to the Soviet proposal, contained in his letter to Mikhail Gorbachev. Quoted in *Financial Times* (London) 25 February 1986.

'It is hard to detect in the letter we have just received any serious preparedness of the US Administration to get down to solving the cardinal problems involved in eliminating the nuclear threat.' Mikhail Gorbachev in his speech to the Soviet Communist Party Congress. *IHT* (Paris) 26 February 1986.

NORTH ATLANTIC TREATY ORGANISATION (NATO)

▲ Nuclear Planning Group (NPG)

Würzburg, West Germany, 20-21 March 1986

■ NATO defence ministers met in closed session for their biannual review of nuclear issues. The discussions were reported to have been dominated by the US Strategic Defense Initiative (SDI).

General James Abrahamson, the US Director of SDI, apparently briefed the NPG on advances in fibre optics, lasers and infra-red detectors. He also told the ministers that a decision on the deployment of SDI might be expected before the projected date in the early 1990s. Following the meeting, Caspar Weinberger, the US Defense Secretary, told a press conference that he had assured the NPG that SDI would not be bargained away in return for arms reductions at the Geneva talks. (See above: Geneva Arms Talks)

The ministers apparently discussed the possibility of a system related to the US SDI, which would protect Europe against attacks from shorter-range nuclear missiles. General fears had been expressed for the security of Europe if SDI were to render the present system of nuclear deterrence ineffectual, while failing to protect Western Europe from attack. The West German Defence Minister, Manfred Wörner, had been reported as having advocated a specifically European defence initiative to parallel SDI. At a press conference following the meeting, however, he agreed that SDI would provide defence for Europe against Intercontinental Ballistic Missiles (ICBMs), medium-range and some shorter-range missiles. The system being discussed in the NPG related simply to a more efficient system of defence against shorter-range tactical missiles and aircraft. The US invited companies in all NATO countries to tender 'European architecture studies' detailing designs for the

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defence of Europe against such threats. At the time of the meeting, only Britain had concluded a formal, governmental agreement of participation in SDI, but just prior to the meeting, Caspar Weinberger and Chancellor Helmut Kohl announced a basic agreement for private West German companies to participate in the programme.

The closed meeting was also reported to have discussed the Rogers Plan for modernising tactical weapons in Europe, and specifically Britain's plans for modernising its nuclear deterrent through the acquisition of the US Trident D5 system, and new battlefield weapons. Details of the discussions on these issues were not disclosed.³¹

● 'Strategic Defence is one of the very highest priorities of our government and one of the highest priorities of our President . . . It is not a bargaining chip. It will not be set aside in response to any demand in connection with any arms reduction agreement.' US Defense Secretary, Caspar Weinberger *IHT* (Paris) 22-23 March 1986.

WARSAW PACT

▲ Foreign Ministers' Committee Meeting

Warsaw, 19-20 March 1986

■ Foreign ministers from the seven Warsaw Pact countries (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania and the Soviet Union) met for the first time since the Soviet leader, Mikhail Gorbachev, announced his plan for nuclear disarmament by the year 2000, on 15 January 1986. (See above: Geneva Arms Talks.)

According to their final communiqué,³² the ministers fully endorsed Gorbachev's programme for liquidating all arsenals of nuclear and chemical arms before the end of the century. They stressed a number of points:

- Alarm was expressed at the continuing deployment of US medium-range missiles in Western Europe. The ministers advocated the complete elimination of Soviet and US medium-range missiles—both ballistic and cruise missiles—in Europe. Such a measure, they said, would require a US commitment to refrain from transferring its strategic and medium-range missiles to Europe, and a pledge by Britain and France not to increase their nuclear arsenals. Once US missiles were eliminated in Europe, they said, there would be no further need for Soviet tactical missiles of enhanced range.
- The Warsaw Pact countries supported proposals for nuclear-free zones in Nordic Europe, the Balkans and the Central European corridor dividing 'East' from 'West', and for chemical weapon-free zones in Central Europe and the Balkans.
- They said that the elimination of nuclear weapons should be accompanied by 'an appropriate reduction of conventional armaments and armed forces'.
- They stated that preserving a peaceful outer space is the necessary prerequisite for carrying out far-reaching cuts and eliminating nuclear weapons. They also pointed out what they saw as dangers entailed in projects such as the 'European Defence Initiative', a space weapons programme related to the US SDI, advocated in some European countries.

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- They reaffirmed the need for an end to nuclear testing, calling on the US to match the Soviet Union's unilateral testing moratorium, which had been extended till 31 March 1986.
 - They reemphasised their peace proposals, advanced at the Warsaw Pact summit in Sofia in October 1985.³³
 - It was stressed that the forthcoming superpower summit should concentrate on paving the way towards arms agreements, particularly on the two issues of test banning and eliminating nuclear missiles in Europe.
- The next foreign ministers' meeting was to be held in Bucharest.³⁴
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THE NORTH

▲ Group of Five (G5)

Meeting of Finance Ministers
London, 18–19 January 1986

■ Finance Ministers and Central Bank Governors from the five major industrialised countries (Britain, France, Japan, US, West Germany) met for the second time since their New York agreement in September 1985. Dubbed the 'Plaza Pact', that agreement was to reduce the value of the US dollar by means of intervention in the exchange markets.³⁵

Billed as a 'private and informal' meeting, the full agenda of the discussions was not revealed. However, the participants were understood to have expressed satisfaction with progress on the lowering of the dollar, and to have been in favour of resisting any subsequent rise in its value. A brief, vaguely worded communiqué said that 'they agreed that their cooperation should continue and that the progress that had been made should not be reversed'. There was, however, no explicit commitment to further major currency intervention in the manner presaged by the September 1985 agreement.

The participants were understood to have discussed the possibility of collective action to lower interest rates. While G5 was not averse to members reducing interest rates unilaterally, it ruled out a Japanese proposal, supported by the French, for a form of concerted 'interest rate disarmament'. The British and West German representatives were known to be wary of such a move. It was also reported that while the US Treasury Secretary, James Baker, may have been in favour of lowering interest rates (not least to relieve pressure on debtor countries) the US Federal Reserve Chairman, Paul A Volcker, was concerned not to do so at a time when the US economy was strengthening. It was reported that the meeting had simply held that the prospects for falling inflation would contribute to a favourable climate for lower borrowing costs. No mention of interest rates was made in the communiqué.

The G5 meeting was understood to have discussed the 'Baker Plan' to assist indebted developing countries,³⁶ and to have lent it its support.³⁷

Soon after the London meeting, some members of G5 lent support to the possibility of its being joined by Italy and Canada. Both countries, members of the seven-nation Western Economic Summit, had complained of their exclusion from G5 meetings in which international monetary decisions affecting their own economies were taken.³⁸

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▲ European Economic Community (EEC)—Southern African Frontline States
Meeting of Foreign Ministers
Lusaka, 3–4 February 1986

■ Foreign Ministers from the Southern African frontline states (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) met for the first time with a ministerial delegation from the twelve EEC countries. The EEC had been invited to open a political dialogue with the frontline states focusing on efforts to end apartheid and accomplish reform in South Africa, following an initial proposal in April 1985 from the then President of Tanzania, Julius Nyerere. The European delegation was led by the Netherlands' Foreign Minister, and current Chairman of the EEC Council of Ministers, Hans van den Broek. He was accompanied by the British Foreign Secretary, Sir Geoffrey Howe, and by junior ministers from the other EEC countries.

The chief area of contention at the meeting was the issue of economic sanctions against South Africa. President Kaunda of Zambia appealed to the European countries to apply comprehensive economic sanctions, warning that their investments in South Africa would 'go up in flames' in the imminent conflagration. The African ministers were unanimously dismissive of the announcement made by President Botha in the South African Parliament on 31 January 1986. The South African President had proposed reforms including the abolition of influx control regulations, the restoration of South African citizenship to citizens of the 'independent' homelands, and measures to involve black communities in 'decision-making'.³⁹

Hans van den Broek announced that the EEC was not prepared to move beyond the sanctions it had already agreed in September 1985, and which had just come into force on 31 January 1986. There was, however, a split between countries within the EEC delegation. Britain, which had isolated itself at the Commonwealth summit in Nassau, in October 1985, by standing against comprehensive economic sanctions,⁴⁰ was arguing against increased international pressure against South Africa. Sir Geoffrey Howe, while criticising Botha's recent proposals for failing to address the central issue of power-sharing, argued that punitive measures should not be applied just as Pretoria was indicating signs of change, even though the pace was 'desperately slow'.⁴¹ Britain was supported in its opposition to a strongly worded final communiqué by West Germany. The representatives of Denmark, Greece, Ireland and Spain, however, led by the French Deputy Minister of Energy, Martin Malvy, called for stronger restrictive measures against South Africa, and a bold declaratory communiqué.

A final joint communiqué called on South Africa to stop destabilising its neighbouring countries, and dismantle apartheid, urging the international community to apply further pressure to this end. A five-point plan for peace in South Africa advocated:

- 1 The lifting of the state of emergency;
- 2 The recognition of banned political parties such as the African National Congress.

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- The release of Nelson Mandela;
- The freeing of all political prisoners and detainees;
- The opening of dialogue between Pretoria and all political leaders, including blacks in detention.

Britain conceded to the statement that the EEC would consider further 'restrictive measures' against Pretoria if the current European sanctions failed to have the desired results. In return for this concession, Britain secured support from the meeting for the Commonwealth Group of Eminent Persons, which had been set up at Nassau to promote political dialogue between the opposing groups in South Africa. An attempt by Britain to include mention of the need for a cessation of violence on both sides, in support of the Group's mediation efforts was, however, rejected. The frontline states' ministers, while expressing satisfaction with the joint communiqué, were reported to have been disappointed that no condemnation was secured of the recent welcome afforded by Washington to the South-African backed Angolan rebel leader of UNITA, Jonas Savimbi.⁴²

● It seems that Europe does not 'care about what is happening in this region so long as their multinationals continue to earn huge profits from their investments in South Africa because of the black man's cheaper labour. They regard South Africa as stable and therefore safe for their investments. How else can we interpret the reluctance and in some respects strong opposition to economic sanctions as a suitable instrument for peaceful change in South Africa?' President Kenneth Kaunda of Zambia in his opening address. *The Guardian* (London) 4 February 1986.

▲ First International Conference on Trees and Forests Paris, 5-6 February 1986

■ Representatives from sixty-two countries, including ten heads of state or government, participated in the conference, entitled 'Silva', which had been initiated by the French government. International organisations, such as the European Economic Community (EEC), the Organisation of African Unity (OAU), the UN Food and Agriculture Organisation (FAO) and the Intergovernmental Authority on Drought and Desertification (IGADD) were also represented. The dual focus of the conference was the danger posed to the forests of Europe by atmospheric pollution and forest fires, and the problem of desertification in Africa, caused by drought, the excessive use of fuelwood, overgrazing and bush fires. The issue of tropical forests was excluded from the conference, but may form part of a later meeting.

The President of the EEC's Commission, Jacques Delors, presented the conference with statistics on the depletion of forests, saying that every year from the South Sahara to the north of West Africa, 3.6m hectares of forest disappear (an area equivalent to the size of Belgium), while only 0.1 hectares is planted with new trees. President Mitterrand of France stressed the need for rapid corrective action, given the length of time required for trees to grow to maturity. Edouard Saouma, Director-General of FAO, cited the need for international cooperation to combat the loss of forests, involving East-West cooperation to tackle the problem of acid rain, which particularly affects Central European forests, and North-South collaboration in tackling desertification.

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The conference participants made firm commitments to protecting forests, calling for increased education and information, the mobilisation of increased funds, the coordination of the institutions concerned and the intensification of forestry research. They advocated the halting of the spread of desert, through the development of substitutes for fuelwoods and through the prevention of overgrazing. President Thomas Sankara of Burkina Faso emphasised in this context the need to tackle the problem at village level, rather than imposing grandiose schemes from above. A fund-raising plan was launched as part of the 'Paris Appeal' and several industrialised countries pledged increased aid for research and re-afforestation programmes. France promised to double its forestry assistance to the Sahel to 500m French Francs over the next five years, and other pledges followed from West Germany, the Netherlands and Japan. A proposal from the OAU Chairman, President Abdou Diouf of Senegal, to divert one per cent of research credits from space to more urgent forestry research was not, however, taken up.

Despite general agreement that the problems of the Sahelian and Sudanese drylands were more urgent than those of Europe, European problems appear to have received more constructive attention from the conference. More precise identification of forest decline was called for; the twenty-one parties to the 1985 Helsinki Convention, aiming to reduce sulphur emissions by thirty per cent, were encouraged to comply with its provisions, and others to ratify it; and a French proposal invited the participants of the conference to establish an 'advanced research network on arboreal physiology in Europe', to be called 'Eurosilva'.⁴³

● 'Trees are endangered, our environment is threatened and natural resources are being irreversibly destroyed. The consequences of this crisis are planet-wide and only the wholesale mobilisation of public opinion, with massive political backing, will enable us to tackle them.' Edouard Saouma, Director-General of FAO, to the conference. *UN Press Release PR 86/6*, 5 February 1986.

'The deforestation of today is the drought of tomorrow and the famine of the day after.' President François Mitterrand of France, to the conference. *Development Forum* (New York) April 1986.

▲ First International Francophone Summit Paris, 17-19 February 1986

■ The first ever francophone summit was attended by heads of state and government, or high-level representatives, from thirty-nine countries 'having in common the use of French'. These countries, representing a combined population of 120m people, ranged from those where French is a dominant or official language, to Caribbean states such as Dominica, Haiti and St Lucia where a French patois is spoken, and former British colonies or protectorates with a substantial French influence such as Canada. There was, however, no separate representation for remaining French territories, so that while Mauritius, the Seychelles and Vanuatu were represented, Martinique, Guadeloupe and Réunion were not. Laos, Vietnam and Switzerland attended only as observers, and notable absentee Arab countries included Algeria and Syria. Cameroon also declined to participate, on the basis that the country was officially bilingual rather than francophone.⁴⁴

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The idea of a francophone summit had first been mooted in the early 1960s, notably by President Léopold Senghor of Senegal and President Habib Bourguiba of Tunisia. Its progress had been thwarted partly by initial reservations on the part of the French President, Charles de Gaulle, and partly by continuing disputes over the role of Quebec in such a summit. The former Canadian Prime Minister, Pierre Trudeau, had rejected French and Québécois demands that Quebec be seated at any conference, perhaps concerned that Quebec's international image might be enhanced at the expense of that of the federal government in Ottawa. A compromise between the Canadian Prime Minister, Brian Mulroney and the Québécois, reached late in 1985 and subsequently accepted by the French government, removed the remaining obstacle to the convening of a summit. Quebec was to be seated at the conference, but given a limited right of intervention which encompassed linguistic, cultural and communication matters, while broad international political and economic issues were to remain the prerogative of the federal representative. The Paris summit was accordingly attended by separate delegations from the federal government and from the Canadian provinces of Quebec and New Brunswick. Belgium, too, had separate representation for its French community, bringing the number of delegations at the summit to forty-one.

The focus of the summit was on improving cooperation between francophone states in the fields of development, education, research and communications, and in creating French terminology to keep abreast of scientific and technological advances, fast becoming the exclusive preserve of the English language. In his opening speech, President Mitterrand appealed for the preservation of linguistic diversity, and for the use of the French language to help fight poverty and hunger. In the political realm, a Canadian resolution on apartheid was passed, calling for its termination, the release of Nelson Mandela, and the lifting of the ban on the ANC. Despite calls for the application of mandatory sanctions against South Africa by Senegal's President, Abdou Diouf, Chairman of the Organisation of African Unity (OAU), economic sanctions were not seriously discussed. Equally, discussion of Chad and Haiti, from which former President Jean-Claude Duvalier had just fled to France, remained informal. Prime Minister Walter Lini of Vanuatu, the only Pacific territory represented, did, however, protest against France's nuclear testing policy in the South Pacific. His speech, though, was delivered not in French, but in his native language, Bislama.

Twenty-eight practical measures were approved by the summit to encourage the use of French, of which the focal point was the creation of a television agency for the world-wide broadcasting of French-language programmes, the Agence Internationale Francophone d'Images de Télévision (AITV), which was to have an initial three-year budget of 16m French Francs. 'Francophone' programmes for France's four television channels in 1987 were to be encouraged, and the new French cable channel, TV5, used for broadcasts to North America and Africa. Other projects included:

- the creation of a working group on linguistic data banks, to extend and coordinate the use of French language data banks
- a study on the use of French videodiscs for medical teaching
- a biennial francophone book fair in Paris
- an international prize for French linguistic innovation

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- a francophone international baccalauréat
- the founding of agronomic institutions in the Third World
- African energy studies for the Sahel.

These projects were largely backed by French and Canadian resources, and Canada announced a further 350 scholarships for students from francophone countries. The summit also created a follow-up committee consisting of ten countries, including Mali, Senegal and Zaire.⁴⁵

The next biennial francophone summit was scheduled for Quebec, in 1988.

● 'The South like the North is in danger of by-passing French if it should cease to assert itself as an instrument of scientific and technical communication. It is the fate that other languages have known when they ceased to live in their time. Let us make sure it does not happen to the French language.' Brian Mulroney, Prime Minister of Canada, to the conference. *West Africa* (London) 3 March 1986.

SOUTH-SOUTH

▲ Islamic Conference Organisation (ICO or OIC)
Sixteenth Islamic Foreign Ministers' Conference
Fez, Morocco, 6-10 January 1986

■ Foreign ministers from the ICO's forty-five member-states considered US-Libyan tensions, the Gulf war and the Palestinian question among other issues on the annual meeting's ninety-point agenda.

In a statement, the ministers declared their solidarity with Libya, and their support for its efforts to defend its land and territorial waters. They drew the attention of the international community to 'the continuing provocations and aggressive escalation carried out by international imperialism and the Zionist entity' against Libya, and the consequences of this escalation for world security. They considered the 'Zionist-imperialist threat' directed against Libya as a threat to all Islamic states.⁴⁶ The statement was reported, however, to have been less radical than the original Libyan proposal from which it was derived, owing to an intervention by the Iraqi Foreign Minister, Tariq Aziz. In an apparent reference to Egypt, Tunisia, Chad and Sudan, Tariq Aziz had accused Libya of interference in neighbouring Islamic states, as well as in other countries.

A later resolution of the conference specifically named the US, in condemning its economic sanctions against Libya (imposed in January 1986) as contrary to international laws and practice. Reiterating its solidarity with Libya, the conference called on the US to revoke its measures, and on Islamic countries to 'adopt whatever measures they deem necessary to face up to these arbitrary American measures'.⁴⁷ No specific measures to counter US sanctions were agreed upon, despite reported attempts by the Libyan Foreign Minister, Ali Abdessalam Treiki, to secure a Muslim boycott of US goods, and a withdrawal of Arab investments from the US.⁴⁸

Despite extensive discussions on the Gulf war, no statement on the conflict could be agreed upon. The final statement contained references to other issues. On the Palestinian question, the ministers condemned the Israeli attack against the PLO

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offices in Tunisia, and reaffirmed their commitment to the principles on which they believed any solution must be founded, such as the need for a complete withdrawal from the Occupied Territories, and the restoration of the natural rights of the Palestinian people. They welcomed the suggestion of the UN General Assembly for an international conference on the issue, under the auspices of the UN, with the participation of the PLO and the permanent members of the UN Security Council, including the US and the Soviet Union. The conference condemned US support for Israel, the Israeli decision to annex Jerusalem and the Syrian Golan Heights, the Israeli occupation of parts of Southern Lebanon and the resumption by some countries of diplomatic relations with Israel. They warned that such a re-establishment of links could have a negative effect on relations with Arab and Islamic countries.

The Conference heard a report from a representative of the Afghan Mujahideen, and praised their struggle for national liberation against the Soviet occupation of the country. It also considered the question of various Muslim minorities in the world, declaring its sympathy with the Turkish Cypriots, the Turkish Muslim minority in Bulgaria, and the Moro National Liberation Front as the legitimate representative of the Moro Muslims in the Philippines. Support was also lent to proposals for nuclear weapon-free zones in Africa, the Middle East and South-East Asia, to the South African and Namibian liberation struggles, and to the countries experiencing drought in the African Sahel.

During the meeting, Nigeria was admitted as a full member of the ICO (bringing the membership to forty-six) having previously had only observer status.⁴⁹ Efforts to question Egypt's readmission to the ICO in 1984 (it was suspended in 1979 following the conclusion of the Camp David Accords) failed. Iran, Libya and Syria had called for Egypt to sever its continuing relations with Israel, or be suspended from the organisation. Attention was drawn by the ICO Secretary-General, Syed Sharifuddin Pirzada, to a growing financial crisis within the body. He called for budget contributions to be made wholly obligatory, rather than leaving a portion of them voluntary, as roughly half of the 1985 budget's \$9m was still outstanding.

The next ICO summit was scheduled for Kuwait in January 1987.⁵⁰

● 'Libya continues to threaten neighbouring Islamic countries as well as other countries further afield.' Tariq Aziz, Iraqi Foreign Minister. *BBC Summary of World Broadcasts* (London) ME/8152/A/1, 9 January 1986.

'The majority of the international community is now opposing the US threat against Libya.' Ali 'Treiki, Libyan Foreign Minister, speaking after the first conference statement on Libya. *The Guardian* (London) 8 January 1986.

▲ Permanent Committee for Arab-African Cooperation
Ministerial Conference
Damascus, 17 January 1986

■ The twenty-four African and Arab countries participating in the meeting issued a statement condemning US actions against Libya, and stressing the illegality of the

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economic measures imposed. They called on members of the OAU, Arab League and all international organisations to oppose them.

According to a press conference given after the meeting by the Arab League Secretary-General, Chedli Klibi, and the Organisation of African Unity (OAU) Secretary-General, Ide Oumarou, the ministers also discussed the situation in the Occupied Territories, Southern Africa, and the Gulf war. Israel's policies in the Middle East were denounced, particularly its practices in the Occupied Territories and its occupation of Lebanon. The conference demanded a halt to the Iran-Iraq war. It also denounced the South African regime, and its imposition of an embargo on all trade to and from Lesotho, and called for support for the Namibian liberation struggle.

Two agreements were signed by the OAU and Arab League Secretaries General, involving cooperation between the two organisations, and the reinforcing of the political and economic boycott against Israel and South Africa. An educational agreement was also signed between the OAU and the Arab Organisation for Education, Culture and Science, and further steps taken towards economic cooperation: the ministers agreed to establish a coordination committee for the important economic bodies of the OAU and the Arab League, and one for the two secretariats, to implement economic cooperation policies.

A second Arab-African summit was planned for 1987, ten years after the first one took place in Cairo, in 1977.⁵¹

▲ Arab League

Council of Foreign Ministers

Extraordinary Session and Eighty-fifth Regular Session

Tunis, 31 January 1986 and 24-27 March 1986

■ At their meeting in March, foreign ministers from the twenty-one member-states of the Arab League focused on tensions between the US and Libya, which had been the subject of an earlier special session, and on recent developments in the Gulf war.

The emergency Council session in January 1986 had been convened at the request of Libya to discuss hostile US actions against her. On 7 January 1986, President Reagan had announced a trade embargo against Libya, and ordered virtually all US citizens to leave the country, apparently in response to terrorist attacks on Rome and Vienna airports in December 1985, in which the US believed Colonel Gaddafi of Libya to be implicated. The US Sixth Fleet had also conducted air and sea manoeuvres near the Gulf of Sidra, in the last week of January 1986. The Arab League Council had adopted a resolution condemning the US boycott and military manoeuvres, and had affirmed its support for Libya.⁵²

The Council's regular session in March coincided with further hostilities between the US and Libya, over the disputed Gulf of Sidra, involving the exchange of fire, and successful US attacks on Libyan patrol boats and a missile site in Libya. The Council passed a unanimous resolution supporting Libya against what it termed US

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aggression, which threatened the security of all Arab countries. It called on the government to cease its military operations against Libya, and warned of the danger of such antagonism. It also called on Arab countries to extend assistance to Libya each according to its means, to repel US attacks, and to request a UN Security Council meeting to discuss the situation in the Mediterranean. Kuwait and Jordan were reported to have expressed reservations on the resolution. The ministers were also reported to have rejected, in their closed session, a Libyan request for the imposition of economic sanctions on the US.⁵³

The Council made a separate statement on the Gulf war, adopted with reservations on the part of Syria and Libya. The statement expressed solidarity with Iraq and profound anxiety over continued 'Iranian aggression and occupation of Iraqi territories'. It also expressed concern over what it took to be an Iranian threat to all the Arab Gulf states, particularly since Iran's recent offensive, and it renewed appeals to Iran to respond to international peace initiatives. The Council decided to remain in continuous session, and requested that the Arab League Secretary General, Chedli Kheib, provide it with a report on further developments in the conflict, in order for it to take appropriate action.⁵⁴

▲ Arab League Council

Special Session of the Committee on the Gulf War
Baghdad, 12 February 1986

■ The seven-member committee of the Arab League Council assembled for an emergency meeting following a new Iranian offensive in the East Basra and Shatt al-Arab areas, during which Tehran claimed to have blocked Iraq's access to the Gulf. The committee, established at an emergency session of the Arab League, on 1 March 1984, is composed of the foreign ministers of Saudi Arabia, Kuwait, Jordan, Tunisia, Morocco, North Yemen and Iraq.

In a statement,⁵⁵ the committee strongly condemned Iran's 'new large-scale aggression' against Iraq, which it said was aimed at occupying more Iraqi territory and threatening the security, sovereignty and territorial integrity of the whole Arab Gulf region. The committee reaffirmed its solidarity with Iraq, warning Iran that aggression against an Arab League member would force the Arab states to reconsider their relations with Tehran. It accordingly appealed to Iran to cease attacks against Iraq.

The committee called upon the UN Security Council to hold an urgent meeting to review the developments in the Gulf war, and to seek a peaceful settlement to the dispute.⁵⁶

▲ Gulf Cooperation Council (GCC)

Council of Foreign Ministers: Eighteenth Session
Riyadh, 1-3 March 1986

■ Foreign ministers from the six GCC states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE) reviewed developments in the Gulf war following the receipt

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Iranian offensive in the Faw peninsula. In their final communiqué,⁵⁷ they condemned 'Iran's occupation of portions of Iraqi territory', and called on Iran to withdraw its forces immediately to international borders. The statement signalled the end of a brief period of tentative rapprochement with Iran, initiated at the GCC summit meeting in Muscat in November 1985.⁵⁸ During that summit, the GCC leaders had appeared to favour a more neutral stance in the war, in contrast to their previous firm alignment with Iraq.

At its Riyadh meeting, the Council also censured Iranian threats against GCC countries, in apparent reference to Iranian warnings that the Gulf states should abandon their support for Iraq, and alter their oil policies. The threats, the communiqué said, expanded the scope of the conflict and further undermined the security and stability of the region. The ministers noted that the GCC's rapid intervention force, the Peninsula Shield, was ready to move to any site affected by recent developments in the war. Following the Council session, GCC Chiefs-of-Staff met in Riyadh to prepare contingency measures.

The Council decided to intensify its contacts with Arab and other states in an attempt to contain the war.⁵⁹

● 'The Iranian presence in Faw . . . is a direct threat to member states of the GCC.' Youssef Al Alawi, Omani Minister for Foreign affairs. *Kuwait Times* (Safat) 5 March 1986.

▲ Organisation of Petroleum Exporting Countries (OPEC)

Ministerial 'Market Share' Committee

Vienna, 3-4 February 1986

Ministerial Monitoring Committee (MMC) and Extraordinary Ministerial Conference

Geneva, 15 March and 16-24 March 1986

OPEC-Non-OPEC Oil Exporting Countries

Geneva, 19-21 March 1986

■ The seventy-seventh ministerial conference, attended by oil ministers from OPEC's thirteen member-states, ended in profound disagreement over two related issues: the overall level of OPEC oil production to be determined; and the percentage share, for individual members, of the proposed output.

OPEC's previous ministerial conference in Geneva, in December 1985, had decided to 'secure and defend for OPEC a fair share in the world oil market consistent with the necessary income for member-countries' development'.⁶⁰ It was, however, uncertain as to what constituted this 'fair share', and how OPEC members could remain united behind this policy in the face of the price collapse prompted by their decision, in effect, to abandon curbs on production. A ministerial committee, consisting of Indonesia, Iraq, Kuwait and UAE and chaired by Venezuela, was unable at its meeting in Vienna to recommend a definite output level. It merely suggested that the 'fair share' would be higher than OPEC's existing production ceiling of 16m barrels per day (b/d). It also advocated cooperation between OPEC and non-OPEC producers in stabilising the market.⁶¹

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A division, barely concealed even at the December 1985 meeting when the original policy decision was taken, emerged between the Gulf oil states (such as Saudi Arabia, Kuwait and UAE) and the so-called 'radical' states (Algeria, Libya and Iran). The Gulf states, best equipped to withstand the effects of a price war, by reason of their spare, low-cost production capacity and financial resources, generally remained in favour of securing agreements with non-OPEC producers to curb production, as a means to restoring oil prices.⁶²

The radical states, on the other hand, had coordinated their positions at meetings in Tripoli on 6 February 1986, and Algiers on 17-18 February 1986.⁶³ They advocated that OPEC, and particularly Saudi Arabia, the largest producer, bear the whole responsibility for restoring the official OPEC price of \$28 per barrel, by sharply cutting production. Nigeria, too, was discovered to favour this position.⁶⁴

There appeared to be a general agreement that OPEC's production ceiling would have to be lowered, in line with projected demand. The MMC had estimated that demand for OPEC oil would be 16.3m b/d in 1986, against the nominal ceiling of 16m b/d agreed in October 1984, and the actual OPEC output level of around 17.5m b/d. Disagreements arose, however, over the way in which the necessary cut in output would be shared between OPEC members. Several countries, including Iraq, Ecuador, Nigeria and the UAE, had long been insisting on increases in their individual output quotas, and were reluctant to accept cuts in production, at least unless they were made from the higher levels they were demanding.

The Indonesian Oil Minister, Dr Subroto, presented a plan to the conference, suggesting a means of distributing the burden between members of a cut to 16m b/d in 1986, reduced to 14m b/d in the second quarter. He called for a 20 per cent cut in the Saudi Arabian quota, in the spring of 1986, with most other quotas being cut by 12.5 per cent, and by less for Iraq, the UAE, Gabon, Nigeria and Ecuador. A second Subroto plan suggested a Saudi Arabian cut of 16 per cent, and an overall reduction to 14.5m b/d in the spring. Neither plan proved acceptable to the conference, both Saudi Arabia and Venezuela categorically refusing any cut in production and only Kuwait, Indonesia and Qatar declaring themselves in favour of the proposals. A major impediment to any solution was the acrimonious dispute between protagonists of the Gulf war. While Iraq pressed its claim for a higher quota on the grounds that its ceiling was an 'artificial' one, determined at a time when its capacity was temporarily affected by war damage, Iran opposed any increase in Iraq's quota. Iran insisted on its own quota being increased by two barrels for every one granted to Iraq.

While the conference remained in deadlock, OPEC ministers held talks with ministers from five non-OPEC oil producing countries: Angola, Egypt, Malaysia, Mexico and Oman, accounting for a combined production of around 4.5m b/d. The key North Sea oil producers, Britain and Norway, who were refusing to cooperate with OPEC in lowering their output, were not present, nor was the Soviet Union. Brunei, though invited, declined to send a representative. The ministers discussed possible strategies for joint output cuts in order to raise prices, but the non-OPEC countries summarily dismissed an initial OPEC proposal that they cut their production by 20 per cent. The two groups nevertheless issued a memorandum of understanding, pledging cooperation to restore and defend the official OPEC price of \$28 per barrel. They agreed, however, that the cooperation of other, non-OPEC oil producers was required to achieve this end. They also advocated a more durable

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and closer relationship between all oil producers in order to ensure long-term price stability in the oil market.⁶⁵

Unable to reach agreement, the OPEC conference adjourned until 15 April 1986, in Geneva.⁶⁶

● 'If we fail to conclude an agreement today, then we will be forced to strike a deal in two months, but all of us will be losers by then.' Sheikh Ali Khalifa al-Sabah, the Kuwaiti Oil Minister, speaking just prior to the end of the conference. *IHT* (Paris) 24 March 1986.

'I think that without the help of the outsiders, we will never be able to bring order into OPEC. Member-countries cannot reduce any further in reality.' Sheikh Ahmed Zaki Yamani, Saudi Arabian Oil Minister, speaking of the need for an agreement with non-OPEC oil exporters. *The Guardian* (London) 25 March 1986.

▲ Middle Country Debtors' Conference

San José, Costa Rica, December 1985

■ Government representatives from Latin American and Caribbean 'middle' and 'small' debtor countries met on the initiative of the Costa Rican government, to discuss the problem of the region's foreign debt. The countries attending were Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Together, they accounted for a combined debt of more than \$30bn. Uruguay and Jamaica, which could also be classed as middle country debtors, did not attend.

In a joint communiqué, the representatives agreed that they experience more stringent conditions on their loans, and have a harder task in renegotiating them, because of their powerless status as individual small countries, in contrast to the region's major debtors, such as Mexico and Brazil. They called for 'greater understanding from the international community' and the establishment of a concerted position, in order to strengthen their collective negotiating power.⁶⁷

● 'We're suffering from the small debtor syndrome . . . Whichever way you look at it, the small debtors have proportionately the highest debt service in the world, we face the toughest conditions and we have the least capacity to pay; the renegotiation of the debts of small countries excites little international interest.' Ennio Rodríguez, Costa Rica's Special Adviser on External Debt, quoted in *IHT* (Paris) 27 January 1986.

▲ Cartagena Consensus

Emergency Ministerial Committee Meeting

Punta del Este, Uruguay, 28 February 1986

■ The Ministerial steering committee of the 'Cartagena Group' of Latin American debtor countries⁶⁸ met in an emergency session to review developments in the region's debt problem. The committee, composed of the finance and foreign ministers of Argentina, Brazil, Colombia, Mexico and Venezuela, and joined at the

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Punta del Este meeting by Uruguayan ministers, was formed at the meeting of signatories to the Cartagena Consensus in Montevideo on 16–17 December 1985. It was set up to monitor the implementation of measures proposed by the Group in response to the 'Baker Plan'.⁶⁹

The emergency session of the committee was convened at the suggestion of Presidents Miguel de la Madrid of Mexico and Jaime Lusinchi of Venezuela, during their two-day summit in Cancun on 30 January–1 February 1986. They were particularly concerned with the effect on debtor countries of the fall in oil prices, following the OPEC Ministerial Conference in December 1985.⁷⁰ Their proposal for a meeting was supported by President Raúl Alfonsín of Argentina, after consultations with President José Sarney of Brazil.

The ministers reviewed developments in the region's \$370bn foreign debt, interest rates and commodity prices. They tacitly endorsed Mexico's attempt to negotiate an emergency financial agreement on its \$96bn debt, following the decline in its revenue, since the oil price collapse in January 1986. The focus of the ministers' efforts to reduce debt payments was on limiting interest rates. They fell short, however, of collectively determining a specific target interest rate level below current market rates, and Mexico was reported to have discouraged collective measures which could prejudice its own negotiations with creditors. Instead, the ministers agreed to support, after consultations, unilateral efforts by Cartagena members to reopen negotiations and to limit interest payments. The committee stated in its final communiqué that in the case of individual debtor countries, 'substantial modifications to existing debt agreements could no longer be postponed, in particular with regard to current interest rate levels'. It was understood that efforts to secure better terms in consultation with other Cartagena members, would have the backing of the whole group.⁷¹

● 'It is clear that the Baker Plan was overthrown by events and is not enough to deal with the crisis faced by Mexico and others.' Enrique Iglesias, Foreign Minister of Uruguay. *International Herald Tribune* (Paris) 3 March 1986.

▲ Contadora Group--Lima Support Group

Meeting of Foreign Ministers

Caraballeda, Venezuela, 11–12 January 1986

Contadora Group--Lima Support Group--Central American Countries

Meeting of Foreign Ministers

Guatemala City, 13–14 January 1986

■ The eight foreign ministers of the Contadora Group (Colombia, Mexico, Panama and Venezuela) and its Lima Support Group (Argentina, Brazil, Peru and Uruguay) met to establish guidelines for the continuation of the peace process in Central America. They assembled after a decision taken in December 1985 to suspend negotiations on the Contadora draft Central American peace treaty until May 1986, to await the outcome of forthcoming elections in Honduras, Guatemala and Costa Rica.⁷²

The ministers adopted the Caraballeda Message for Peace, Security and

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Democracy in Central America, containing a ten-point statement of peace principles for the region, and a plan of action.⁷³ The ten principles were:

- a Latin American solution to the problem should be found, rather than construing it as part of a global East-West strategic conflict
- self-determination in the choice of each country's social and political system, establishing a government freely chosen by the majority
- non-intervention in each countries' internal affairs
- territorial integrity
- pluralistic democracy
- no stationing of weapons or military bases
- suspension of international military manoeuvres
- departure of all foreign troops and military advisers
- an end to foreign support for irregular forces operating in the region
- respect for human rights.

The Caraballeda Message relayed the ministers' plan to initiate diplomatic negotiations aimed at realising these principles, and leading, as soon as possible, to the signing of the Contadora peace treaty. In particular, they urged the resumption of the bilateral 'Manzanillo' talks between the US and Nicaragua, which had been suspended by the US in January 1985. They offered to mediate in these talks, and to promote 'national reconciliation' in internal conflicts within Central American countries. Finally, the two groups supported a proposal by the Guatemalan President to establish a regional parliament in Central America.⁷⁴

The eight foreign ministers subsequently held their first combined talks in Guatemala City with the foreign ministers of the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). They were attending the inauguration of the President-elect of Guatemala, Vinicio Cerezo, on 14 January 1986. The Central American ministers issued the 'Guatemala Declaration' after the meeting, in which they expressed support for the principles, objectives and initiatives contained in the Caraballeda Message.⁷⁵ Significantly, the message was endorsed by the three US allies in the region, Costa Rica, El Salvador and Honduras, despite its advocating US-Nicaraguan talks, and containing elements pointedly hostile to US policy. These included the explicit reference to US aid for the anti-Sandinista 'contras' contained in the opposition to foreign aid for irregular forces, and the call for a suspension of military manoeuvres in the region. The five ministers also endorsed the proposal for a regional parliament, and agreed to hold a regional summit meeting in Esquipulas, Guatemala in spring 1986. The Contadora and Support Group ministers determined to deliver their Caraballeda Message to the remaining countries with interests and ties in the region, including the US, Canada and Cuba, as well as to international organisations such as the UN, the Organisation of American States (OAS) and the European Economic Community (EEC).⁷⁶

● 'The best diplomacy is the art of speaking the truth although it appears a little harsh.' Augusto Ramirez Ocampo, Colombian Foreign Minister, referring to the outspoken nature of the Contadora Group's document. *The Guardian* (London) 14 January 1986.

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▲ Contadora Group—Lima Support Group

Meeting of Foreign Ministers

Punta del Este, Uruguay, 27–28 February 1986

■ The eight foreign ministers discussed developments in Central America and assessed progress towards the objectives contained in their Caraballeda Message.

In a fourteen-point communiqué,⁷⁷ they expressed satisfaction that their message had been endorsed by the international community, and specifically by the five Central American governments. They welcomed the meeting between the deputy foreign ministers of Costa Rica and Nicaragua, held in Managua on 24 February 1986, with the participation of the Contadora Group foreign ministers. At that meeting, the Contadora Group had supported the creation of a border commission to contain hostilities between the two countries. The details of the international civilian peace-keeping force were to be devised at a meeting of Central American foreign ministers in San José on 12 March 1986.⁷⁸

The Punta del Este communiqué reaffirmed the principles of the Caraballeda Message, which it insisted were all necessary, and should be carried out simultaneously, not selectively, nor with conditional links between them. In particular, the ministers reiterated their opposition to external support for insurrectionist forces in the region, in an obvious reference to US President Reagan's plea in the US Congress on 25 February 1986 for \$100m in aid to the 'contras'. The Groups reaffirmed their willingness to mediate in efforts towards national reconciliation in the region. They also endorsed the suggestion of a regional Central American parliament, and welcomed the forthcoming Central American Presidents' summit in Esquipulas, Guatemala.⁷⁹

● 'The death of Contadora has been predicted many times, but it has shown a capacity to be reborn from the ashes.' Uruguayan President, Julio Sanguinetti, in his inaugural speech to the meeting. *BBC Summary of World Broadcasts* (London) ME/8196/D/1, 1 March 1986.

'We cannot accept the interference of support for armed groups in a country.' President Sanguinetti, in his opening speech. *The Guardian* (London) 28 February 1986.

'We hope there will be a chain reaction of this magnificent idea in the region.' Bernardo Sepúlveda, Mexican Foreign Minister, speaking of the Costa Rican–Nicaraguan border commission, and the hopes of the Contadora Group that a similar mechanism could be established between Nicaragua and Honduras. *The Guardian* (London) 1 March 1986.

▲ Kampuchea—Laos—Vietnam

Twelfth Regular Conference of Foreign Ministers

Vientiane, Laos, 23–24 January 1986

■ The Indochinese foreign ministers confirmed in a final communiqué⁸⁰ that the previously proposed withdrawal of 'Vietnamese volunteer forces' from Kampuchea would be completed by 1990. They also reconfirmed their positions on the political settlement of the Kampuchean question, as stated at previous meetings.⁸¹

Distinguishing between the internal and the international aspects of the question,

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they said that the Kampuchean government was prepared to enter into talks with opposition Khmer, in order to achieve national reconciliation on two conditions: the removal of the 'Pol Pot clique'; and the holding of free general elections following the Vietnamese withdrawal from Kampuchea. It was said to welcome mediation to this end. An international settlement, they continued, would entail an agreement on Vietnamese withdrawal, together with an end to material and military aid to Pol Pot and 'other reactionary Khmer forces', to their use of Thai territory as sanctuary, and to military and other outside intervention in Kampuchea.

The communiqué expressed appreciation of the meeting in 1985 between the Indonesian and Vietnamese foreign ministers, as representatives of the Association of Southeast Asian Nations (ASEAN) and the Indochinese nations respectively. The meeting, together with the Indonesian-Vietnamese working group, aimed to promote a dialogue on the settlement of the Kampuchean problem.⁸² The Indochinese countries expressed a willingness to hold peace talks with Thailand, and Kampuchea declared itself ready to negotiate on the repatriation of Kampuchean refugees from Thailand. The progress in Lao and Vietnamese cooperation with the US in the search for missing Americans ('MIAs') was welcomed (with reservations about US reticence in the matter), and support declared for Vietnamese efforts to resume talks with China on normalising their relations. Finally, the ministers advocated setting up a zone of peace and cooperation in Southeast Asia.⁸³

▲ Organisation of African Unity (OAU)

Council of Foreign Ministers: Forty-third Meeting

Addis Ababa, 25 February–4 March 1986

■ The annual meeting of OAU foreign ministers included on its draft agenda various items on the dispute between the US and Libya over the Gulf of Sidra, and on the conflict in Chad.

President Hissène Habré of Chad had called on the Council to discuss the recent Libyan-backed offensive against the south of the country, launched by the forces of Goukouni Oueddi. He had called for wider backing among African countries of the French intervention on his country's behalf, which so far had received support only from the Ivory Coast, Senegal and Tunisia. President Habré, however, expressed scepticism as to the OAU's power to mediate effectively in the conflict. In the event, the Libyan delegation to the Council agreed to withdraw its draft resolution condemning French intervention in Chad, and though the Chadian delegation was allowed to present its case, there was no formal debate on the conflict at the meeting.

The Council issued a declaration of solidarity with Libya in the face of what it deemed to be hostile activity on the part of the US. The US, contending that the Gulf of Sidra constituted international waters, which should not be closed by Libya to international shipping, had conducted naval manoeuvres off the Libyan coast, and had been involved in confrontation with Libyan aircraft over the Gulf. It had also imposed economic sanctions against Libya in January 1986. The OAU Council appealed to the US government to end what it considered to be its boycotts, threats and provocations against Tripoli.

The Council adopted a budget of \$25m for the OAU Secretariat, for the period

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1986-7, and urged member-countries to honour their financial commitments to the organisation by paying their arrears. It was also agreed in principle to cut posts and close three regional offices (in Kampala, Bangui and Accra), as proposed by the OAU Secretary-General, Ide Oumarou.

A report of the OAU's permanent steering committee, elaborating a programme for Africa's economic recovery in the years 1986-90, and incorporating country profiles by joint OAU/Economic Commission for Africa (ECA) missions, was adopted by the Council.

The ministers debated a report by the forty-fifth ordinary session of the Coordinating Committee for the Liberation of Africa, held in Lagos on 27 January 1986, which covered the following points:

- Renewed appeals were made for member-states to settle their arrears to the Liberation Committee's Special Fund, as thirty-two states, together with Morocco, owed a total of \$14m to the fund, as of January 1986.
- On Namibia, the report called on US President Reagan to respect international public opinion by allowing the unconditional implementation of UN Security Council Resolution 435 of 1978. It also stressed the need for increased financial and material assistance to SWAPO.
- The Council commended the increased resistance to Pretoria within South Africa, since the ANC's call to make apartheid unworkable. The increased military activities of Umkhonto We Sizwe (Spear of the Nation) were also commended.
- The report noted that opponents of sanctions against South Africa, who claimed to favour peaceful change, were willing to apply sanctions where they felt that their interests were served by them, citing US measures against Libya, Nicaragua, Afghanistan and Poland, and Britain's embargo against Argentina. Paradoxically, the report continued, South Africa also favoured sanctions, as was demonstrated by its policy towards Lesotho. Several Council members advocated that Africa apply sanctions against Pretoria, whatever the consequences.

The Council also adopted a report of the OAU Secretary-General on the implications of the repeal of the US Clark Amendment, prohibiting assistance to the Angolan rebel movement, and on the US Bill on sanctions against South Africa. The OAU's twenty-first summit in July 1985 had expressed concern over these two issues.⁸⁴ The consensus in the Council was that a five-member OAU delegation should visit the US in order to mobilise opinion against the US policy of 'constructive engagement' with South Africa. The OAU Chairman, Abdou Diouf, was also mandated to approach the US government, requesting assurances against future US military support for destabilising forces in Angola.

The Council adopted other resolutions appealing for increased emergency and rehabilitation assistance for refugees and returnees in Africa; suggesting further expert studies on using the maritime resources of Africa's exclusive zone; calling for further Afro-Arab cooperation; and criticising the French government for its indifference towards negotiations with the OAU *ad hoc* seven-member committee on the issue of reuniting the island of Mayotte (presently under French administration) with the Islamic Republic of Comoros.⁸⁵

The forty-fourth Council meeting was scheduled for Addis Ababa on 21-25 July 1986, and the OAU summit for 28-30 July 1986.

- We have clearly declared our support for Libya in this conflict. We call on both

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sides, the US and Libya, to exercise restraint in this unprecedented, untimely and dangerous conflict.' Ide Oumarou, OAU Secretary-General, on the US-Libyan dispute. *International Herald Tribune* (Paris) 27 February 1986.

'The OAU has so far not settled a single conflict and it would be a miracle if it could resolve the question of Libyan aggression.' President Hissène Habré of Chad, speaking on the conflict in Chad. *Financial Times* (London) 5 March 1986.

▲ Intergovernmental Authority for Drought and Development (IGADD)

First Summit

Djibouti 15-16 January 1986

■ Leaders of six countries in eastern Africa (Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda) adopted an agreement establishing IGADD, and expressed their determination to cooperate in combating drought and desertification in the sub-region, and in fostering development.

The first IGADD summit followed preparatory expert and ministerial meetings in Djibouti in February, May and November 1985. It was addressed by President Abdou Diouf of Senegal, the OAU Chairman, who was attending as an observer (along with representatives from the UN and other international organisations). He reviewed the devastating effects of successive droughts on Africa, and their crippling effect on African economies, which combined with huge foreign debts to retard the continent's development. Calling on the participants to help IGADD reach its objectives—the coordination of programmes against drought and desertification and of development efforts, in short- and medium-term plans—he cited the need for emphasis on food production and on regional cooperation.

The authority, as stated in a final communiqué,⁸⁶ was to consist of an assembly of heads of state and government, a council of ministers and an executive secretariat, based in Djibouti. A plan of action for IGADD was adopted at the summit, identifying emergency measures for immediate implementation, and priorities for strategies for development and for halting environmental degradation. IGADD was to be responsible for arranging short-term emergency aid for drought victims, as well as for coordinating research, including the development of an early-warning system against drought.

President Hasan Gouled Aptidon of Djibouti was elected Chairman of IGADD till 1987, with Mekonen Kibret, Head of Public Relations in the Ethiopian Ministry of Agriculture, to become Secretary-General.⁸⁷

▲ Southern African Development Coordination Conference (SADCC)

Annual Consultative Conference

Harare, 30-31 January 1986

■ SADCC's annual conference was attended by over 450 delegates. They included ministers from the nine SADCC countries (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe), as well as participants from thirty-seven donor countries, including, for the first time, Eastern European countries. Twenty-five international organisations were also represented, as were Southern African liberation movements, such as the African National Congress

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(ANC), South West Africa People's Organisation (SWAPO) and the Pan-Africanist Congress (PAC).

The conference met to review progress since SADCC's inception in 1980, towards its goal of securing economic independence from South Africa for its nine member-states. Modest progress towards independence was noted, particularly in the fields of agriculture, small energy projects, trade, transport and telecommunications. South Africa itself remained the chief obstacle to further progress, notably through its policy of destabilising neighbouring countries, costing them, in SADCC's estimate, \$10bn over the past five years. The opening session of the meeting was marked by criticism not only of South Africa, but of Western countries, for their limited support for the frontline states and allowing investment in South Africa to continue by refusing to apply stringent economic sanctions. Zimbabwe's Prime Minister, Robert Mugabe, appealed in his opening speech for the imposition by the international community of economic sanctions against Pretoria, whose 'naked aggression' had, he said, shackled its neighbours in economic dependence. Michael Sefali, the Minister of Economic Planning and Finance of Lesotho, following its coup of the previous week, criticised South African apartheid, declaring that Lesotho would not bow to South African pressure. Lesotho remained committed, he said, to a policy of accepting refugees from political persecution in South Africa. Regarding the goal of food self-sufficiency in the region, the conference noted that despite the improved rains since the 1982-4 drought, Angola, Botswana and Mozambique had still not fully recovered.

Noting that only \$4.1bn of the \$8bn needed to implement SADCC's existing projects had been received, the organisation's Executive Secretary, Dr Simba Makoumi appealed for increased financial assistance. The World Bank Vice-President for the Eastern and Southern Africa Office said that the Bank would fund twenty projects per year for the next two to three years, raising its annual commitment to SADCC to \$500m. He said that the Bank would lend an additional \$300m from its Special Facility for Africa to help African countries reconstruct their economies. EEC Director-General for Development, Dieter Frisch, signed a \$165m agreement with Dr Makoumi, to provide aid to promote transport, communication, food security, and human resource development among ACP countries (which include all of SADCC's members). The funds were to be distributed during 1986-9, under Lomé III. Other pledges were made by Canada, Britain, Italy and West Germany. SADCC also signed a joint declaration with the five Nordic countries, to identify priority areas for expanded cooperation between two regions. The banking and commercial sectors, the secretariat and sectoral coordination units were to be strengthened, and inter-regional trade promoted.

The conference closed with a strong condemnation of the welcome provided by the Reagan Administration for Jonas Savimbi, the leader of the UNITA rebel movement in Angola which, according to Botswana's Vice-President and Chairman of SADCC, Peter Mmusi, ran counter to the US's professions of friendship and cooperation with SADCC states.⁸⁸

● 'We do not know how much it costs South Africa to inflict this damage on us but we know that its abilities to carry the cost are underpinned by its economic relations with the rest of the world.' Peter Mmusi, Vice-President of Botswana and Chairman

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NOTES

In these notes the following abbreviations are used for newspapers and periodicals: *Econ* = The Economist (London); *FT* = Financial Times (London); *FEER* = Far Eastern Economic Review (Hong Kong); *Gma* = Granma (Havana); *G* = The Guardian (London); *IHT* = International Herald Tribune (Paris); *MEED* = Middle East Economic Digest (London); *MEER* = Middle East Economic Review (Washington, DC); *MES* = Middle East Economic Survey (Nicosia); *Obs* = The Observer (London); *S* = South (London); *SN* = Soviet News (London); *SW* = Soviet Weekly (London); *ST* = Sunday Times (London); *SWB* = Summary of World Broadcasts (London); *T* = The Times (London); *TWQ* = Third World Quarterly (London); *UNPR* = UN Press Release; *USIS* = US Information Service; *WA* = West Africa (London); *XNA* = Xinhua News Agency.

¹ *WA* 3 February 1986; *FT* 22, 24, 29 January 1986; International Foundation for Development Alternatives (IFDA) *Special UN Service* (Geneva) 30 January 1986; *UNPR* IFAD/282 of 22 January 1986, IFAD/287 of 24 January 1986, IFAD/288 of 24 January 1986 and IFAD/289 of 27 January 1986.

² For the substance of these disagreements, see *TWQ* 8(1) January 1986, p 280.

³ *UNPR* TNC/361 of 17 January 1986, TNC/362 of 20 January 1986, TNC/363 of 21 January 1986 and TNC/364 of 31 January 1986; *Development Forum* (London) January–February 1986.

⁴ See *TWQ* 8(1) January 1985, pp 280–1.

⁵ *FT* 7 February 1986; *G* 8 February 1986; *T* 14 February 1986; *FEER* 6 March 1986; *UNCTAD Bulletin* (Geneva) February 1986; *UNPR* TAD/INF/1767 of 21 January 1986, TAD/INF/1766 of 24 January 1986 and TAD/INF/1770 of 7 February 1986.

⁶ The decision to begin negotiations was taken at a meeting of IDA Deputies in Seoul, during the IMF and World Bank annual meetings in October 1985. See *TWQ* 8(2) April 1986, p 692.

⁷ *G* 23 January 1986; *FT* 24, 29, 30 January 1986; *Econ* 25 January 1986; *WA* 10 February 1986, p 307.

⁸ See *TWQ* 7(4) October 1986, pp 1025–7.

⁹ One of the remaining requirements for entry into force of the agreement establishing the Common Fund for Commodities was fulfilled on 14 January 1986, with the ninetieth ratification, by the Yemen Arab Republic. The outstanding requirement is for the ratifying countries to represent two-thirds of the Fund's directly contributed capital of \$470m. Currently the ninety countries account for only 57.87 per cent of its capital. See *UNPR* TAD/INF/1766 of 17 January 1986 and *WA* 17 March 1986.

¹⁰ The UNCTAD report is UN Document TD/B/C.1/276.

¹¹ See *TWQ* 7(3) July 1985, p 691.

¹² *UNPR* TAD/INF/1763, 18 December 1985; *UNCTAD Bulletin* (Geneva) January 1986.

¹³ *ICO Press Release* PR-106/85, 13 December 1985.

¹⁴ *FT* 28 December 1985.

¹⁵ See ICO meeting in September 1985, *TWQ* 8(1) January 1986, p 287.

¹⁶ ICO export quotas were suspended on 19 February 1986, to be reimposed unless the ICO Council decides otherwise, when the average coffee price is at or below 134.55¢ per pound. *ICO Press Release* PR/109/86, 19 February 1986.

¹⁷ *FT* 9, 11, 13, 17, 20, 21, 23, 25 January 1986, 20 February 1986; *G* 13, 21, 27 January 1986, 24 February 1986; *IHT* 14 January 1986; *S* February 1986 and March 1986; *ICO Press Release* PR/107/86, 24 January 1986.

¹⁸ See ICO meeting, *TWQ* 8(1) January 1986, p 286.

¹⁹ *UNPR* TAD/INF/1771 of 10 February 1986, TAD/INF/1772 of 21 February 1986, TAD/1048 of 27 February 1986; *FT* 7, 11, 21, 27, 28 February 1986, 1, 4, 5 March 1986; *G* 10 February 1986, 3 March 1986; *IHT* 27 February 1986, 5 March 1986; *S* February 1986, p 58; *WA* 10 March 1986, p 530.

²⁰ *FT* 18 March 1986; *International Wheat Council Press Release* 17 March 1986.

²¹ See *TWQ* 8(2) April 1986, pp 696–9.

²² The Kuala Lumpur Exchange resumed tin trading on 3 February 1986, as a result of which the price of tin crashed by roughly 40 per cent to £5,200 per ton.

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- ²³ **FT** 27 December 1985, 6, 7, 8, 10, 13, 14, 15, 16, 18, 20, 21, 22, 23, 24, 25, 31 January 1986, 1, 4, 6, 8, 10, 14, 20, 21, 24, 25, 27 February 1986, 3, 4, 5, 6, 7, 10, 11, 12, 13 March 1986; **G** 6, 17, 18, 21, 22, 23, 24, 30 January 1986, 1, 4, 6, 7, 8, 17, 24, 25, 27 February 1986, 7, 8, 10, 11, 17 March 1986; **IHT** 9, 26 January 1986, 4, 7, 24 February 1986, 6, 7, 8-9, 11, 12 March 1986; **T** 11, 18 January 1986, 24 February 1986, 8, 11, 13 March 1986; **Obs** 5 January 1986; **Econ** 22 February 1986, 15 March 1986; **FEER** 23 January 1986, p 66-7, 20 February 1986, p 75; **ITC Press Release** (London) 6; 21 March 1986.
- ²⁴ For the superpower summit in November 1985, see **TWQ** 8(2) April 1986, pp 702-5.
- ²⁵ For the previous Geneva rounds, see **TWQ** 7(4) October 1985, pp 1030-2; 8(1) January 1986, pp 289-91; and 8(2) April 1986, pp 699-701.
- ²⁶ **FT** 16 January 1986; **T** 16 January 1986; **G** 16 January 1986; **IHT** 16 January 1986. The text of Gorbachev's statement is in **SN** 22 January 1986, pp 21-3.
- ²⁷ See **IHT** 30 January 1986; **FT** 7, 10 February 1986.
- ²⁸ **T** 24, 25 February 1986; **FT** 24, 25 February 1986; **G** 24, 25, 26 February 1986; **IHT** 24, 25 February 1986; **Econ** 1 March 1986.
- ²⁹ **G** 26 February 1986; **FT** 26 February 1986; **T** 26 February 1986; **IHT** 26 February 1986. Excerpts from Gorbachev's address are in **T** 26 February 1986.
- ³⁰ **G** 15, 17 January 1986, 8, 12, 13, 18, 21 February 1986, 3, 4 March 1986; **IHT** 16, 17, 18-19, 22, 27 January 1986, 12, 18 February 1986, 4, 5 March 1986; **FT** 17, 18 January 1986, 8, 13, 21 February 1986; **T** 17 January 1986, 5 March 1986; **Obs** 19 January 1986, 9 February 1986; **Econ** 22 February 1986; **ADIU Report** (Sussex) January-February 1986, pp 20-1.
- ³¹ **FT** 20, 21, 23 March 1986; **G** 20 March 1986; **IHT** 21, 22-3 March 1986.
- ³² The communiqué of the Warsaw Pact meeting is in **SW** 29 March 1986, p 10.
- ³³ For the Warsaw Pact summit in Sofia in October 1985, see **TWQ** 8(2) April 1986, p 710.
- ³⁴ **SW** 29 March 1986; **IHT** 20, 21, 22-3 March 1986.
- ³⁵ For the G5 September 1985 meeting, see **TWQ** 8(1) January 1986, pp 293-4. The next G5 meeting was held in Seoul on 5 October 1985, during the IMF and World Bank annual meetings. See **TWQ** 8(2) April 1986, p 693.
- ³⁶ For the Baker Plan see **TWQ** 8(2) April 1986, pp 691-5.
- ³⁷ **FT** 18, 20, 21 January 1986; **T** 18 January 1986; **G** 18 January 1986; **IHT** 18-19, 20, 21 January 1986; **ST** 19 January 1986; **Obs** 19 January 1986.
- ³⁸ See **FT** 16 January 1986 and 21 February 1986.
- ³⁹ On Botha's proposed reforms, see **FT** 1 February 1986.
- ⁴⁰ For the Commonwealth Summit at Nassau, see **TWQ** 8(2) April 1986, pp 711-15.
- ⁴¹ On the first day of the meeting, Britain held its first formal direct talks with representatives of the African National Congress (ANC). The meeting, a departure from the previous British policy of refusing to talk to groups which were considered to have advocated violence, was sanctioned by Sir Geoffrey Howe. John Johnstone, the Assistant Under Secretary at the British Foreign and Commonwealth Office, met Thabo Makatini, the ANC Information and Publicity Secretary; Johnstone Makatini, ANC Secretary for External Affairs; and Pallo Jordan, ANC Deputy Director of Information. The British representative was understood to have expressed concern at the escalating violence in South Africa.
- ⁴² **FT** 29 January 1986; **T** 1, 4, 5 February 1986; **G** 29 January 1986, 3, 4, 5 February 1986; **T** 4, 5, 6 February 1986; **SWB** ME/8175/ii, 5 February 1986 and ME/8176/ii, 6 February 1986.
- ⁴³ **Development Forum** (New York) April 1986; **Obs** 2 February 1986; **T** 6 February 1986; **WA** 17 February 1986, pp 340-1; **UNPR** 86/6, 5 February 1986.
- ⁴⁴ For a list of the participants at the summit, see **T** 18 February 1986.
- ⁴⁵ **T** 17, 18, 19, 21 February 1986; **G** 17, 18, 21 February 1986; **FT** 18 February 1986; **IHT** 18, 19 February 1986; **Econ** 22 February 1986; **WA** 24 February 1986, p 393-4 and 3 March 1986, pp 448-51; **XNA** 6 March 1986; **Afrique-Asie** (Paris) 10 March 1986; **SWB** ME/8187/ii, 19 February 1986, ME/8189/B/3-4, 21 February 1986, ME/8190/ii, 22 February 1986.
- ⁴⁶ The ICO statement is in **SWB** ME/8152/A/1, 9 January 1986.
- ⁴⁷ The second statement on Libya is in **SWB** ME/8155/A/1, 13 January 1986.
- ⁴⁸ **G** 10 January 1986.
- ⁴⁹ The request for full membership of the ICO by the Nigerian government caused controversy in Nigeria (on the grounds of Nigeria's being a secular state, with only a minority Muslim population) and led to the establishment of a panel to review the question of its membership. See **SWB** ME/8170/B/11, 30 January 1986 and **WA** 3 February 1986, pp 230-1.

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- ⁵⁰ **FT** 6, 7 January 1986; **G** 6, 7, 8, 10, 11 January 1986; **IHT** 7 January 1986; **T** 8 January 1986; *The Muslim World* (Karachi) 18 January 1986; **SWB** ME/8152/i and ME/8152/A/1 of 9 January 1986, ME/8154 of 11 January 1986, ME/8155/i and ME/8155/A/1 of 13 January 1986, ME/8156/A/ 1-4 of 14 January 1986.
- ⁵¹ **SWB** ME/8160/i, 18 January 1986 and ME/8161/A/3-4, 20 January 1986; **WA** 27 January 1986, pp 220-1.
- ⁵² **IHT** 3 February 1986; **SWB** ME/8153/i, 10 January 1986 and ME/8172/i, 1 February 1986.
- ⁵³ **T** 27 March 1986; **FT** 27 March 1986.
- ⁵⁴ **SWB** ME/8219/A/4-5, 28 March 1986 and ME/8220/A/19, 31 March 1986.
- ⁵⁵ The text of the committee's statement is in **SWB** ME/8184/A/7, 15 February 1986.
- ⁵⁶ **FT** 13 February 1986; **G** 13 February 1986; **T** 13 February 1986; **IHT** 14 February 1986; **SWB** ME/8182/i, 13 February 1986, ME/8183/i, 14 February 1986, ME/8184/A/7, 15 February 1986.
- ⁵⁷ The GCC communiqué is in **MEES** 10 March 1986, p C45 and **SWB** ME/8199/A/13, 5 March 1986.
- ⁵⁸ For the GCC Muscat Summit in November 1985, see **TWQ** 8(2) April 1986, pp 727-9.
- ⁵⁹ **MEES** 10 March 1986, pp C1-5; **SWB** ME/8199/i and ME/8199/A/13, 5 March 1986; *Kuwait Times* (Safat) 5 and 6 March 1986.
- ⁶⁰ See **TWQ** 8(2) April 1986, pp 730-1.
- ⁶¹ The communiqué of the Market Share Committee is in *OPEC Bulletin* (Geneva) February 1986 and **MEES** 10 February 1986.
- ⁶² Oil ministers of the Gulf Cooperation Council (GCC) (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE), meeting in Riyadh on 8 March 1986, had reaffirmed OPEC's December 1985 decision, to secure a fair market share. Despite their belief that oil prices had reached an 'unacceptable level of deterioration', they insisted on a 'concerted effort' amongst oil producing groups to defend prices. **T** 6 March 1986; **G** 10 March 1986; **IHT** 10 March 1986; **SWB** ME/8204/i, 11 March 1986.
- ⁶³ **SWB** ME/8175/A/7, 5 February 1986, ME/8188/i, 20 February 1986, ME/W1378/1, 25 February 1986, **MEED** 15 February 1986, pp 5-6.
- ⁶⁴ Nigeria, Gabon, Libya and Algeria established an African Hydrocarbons Association to promote energy cooperation, as the first step towards creating an inter-African petroleum consultative group, similar to the Organisation of Arab Petroleum Exporting Countries (OAPEC). **SWB** ME/8194/A/10, 27 February 1986; **WA** 3 March 1986, p 476.
- ⁶⁵ The Memorandum of Understanding is in **MEES** 24 March 1986, p A3.
- ⁶⁶ **MEES** 3, 10 February 1986, 10, 24 March 1986; **IHT** 17, 18, 19, 21, 22-3, 24, 25, 26 March 1986; **T** 17, 18 March 1986; **FT** 18, 19, 20, 21, 22, 24, 25 March 1986; **G** 18, 20, 24, 25 March 1986; **Econ** 29 March 1986; **XNA Weekly** 27 March 1986.
- ⁶⁷ **Gma** 29 December 1985; **IHT** 27 January 1986.
- ⁶⁸ The Cartagena Group, formed in June 1984, consists of Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Uruguay and Venezuela.
- ⁶⁹ For the Cartagena meeting in December 1985, see **TWQ** 8(2) April 1986, p 733-4. For the Baker Plan, propounded by the US Treasury Secretary, James Baker at the annual IMF and World Bank meetings in Seoul, in October 1985, see **TWQ** 8(2) April 1986, pp 691-5.
- ⁷⁰ For the Mexico-Venezuela Summit see **G** 30 January 1986, 3 February 1986; **FT** 1 February 1986; **IHT** 4, 10 February 1986. For the OPEC Geneva Conference in December 1985, see **TWQ** 8(2) April 1986, pp 730-1.
- ⁷¹ **FT** 3, 20 February 1986 and 3 March 1986; **G** 20 February 1986 and 3 March 1986; **IHT** 3 March 1986; **Econ** 1 March 1986; **Gma** 9 March 1986; **XNA** 6 February 1986; *IMF Survey* (Washington DC) 17 March 1986, p 87.
- ⁷² See **TWQ** 8(2) April 1986, p 732.
- ⁷³ The communiqué is reported in **SWB** ME/8156/D/1-2, 14 January 1986.
- ⁷⁴ **G** 14 January 1986; **T** 17 January 1986; **Gma** 26 January 1986; *Central America Update* (Toronto) January-February 1986.
- ⁷⁵ The text of the Guatemala Declaration is in **Gma** 26 January 1986.
- ⁷⁶ **G** 17, 18 January 1986; **T** 17 January 1986; **IHT** 17 January 1986; **Gma** 26 January 1986, 2, 9 February 1986; **SWB** ME/8159/D/1 of 17 January 1986, ME/8169/D/1-2 of 18 January 1986, ME/8161/D/1 of 20 January 1986, ME/8165/D/1-2 of 24 January 1986.
- ⁷⁷ The Punta del Este communiqué is in **SWB** ME/8198/D/1-2, 4 March 1986.

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- ⁷⁸ The Nicaraguan and Costa Rican deputy foreign ministers, together with the foreign ministers of the Contadora Group, decided at their 12 March meeting that civilian inspectors and security advisers would come from Contadora countries. About ten members and staff of the commission would be based along the frontier. Contadora and other countries would be asked to provide financial assistance, and technical advice and equipment. The agreement reached in San José had yet to be ratified by the Costa Rican Parliament before becoming effective. *T* 14 March 1986.
- ⁷⁹ *SWB* ME/8196/D/1-2, 1 March 1986, ME/8197/D/1-2, 3 March 1986; *FT* 28 February 1986, 1 March 1986; *G* 28 February 1986, 1 March 1986; *T* 10 March 1986; *IHT* 3 March 1986; *Gma* 9 March 1986.
- ⁸⁰ The Indochinese communiqué is in *SWB* FE/8167/A3/1-3, 27 January 1986.
- ⁸¹ For the eleventh Indochinese foreign ministers' meeting in Phnom Penh in August 1985, see *TWQ* 8(1) January 1986, pp 322-3.
- ⁸² On the first meeting of the working group, see *T* 23 December 1985.
- ⁸³ *SWB* FE/8167/i and FE/8167/A3/1-2 of 27 January 1986, and FE/8166/A3/1-2, 25 January 1986.
- ⁸⁴ See *TWQ* 8(1) January 1986, pp 324-5.
- ⁸⁵ *T* 20 February 1986; *IHT* 26, 27 February 1986; *FT* 5 March 1986; *WA* 10 March 1986, p 539; *SWB* ME/8194/ii and ME/8194/B/2 of 27 February 1986, ME/8195/ii and ME/8195/B/1-2 of 28 February 1986, ME/8198/ii and ME/8198/B/1-3 of 4 March 1986, ME/8200/vii and ME/8200/B/1-2 of 6 March 1986, ME/8201/B/1-2 of 7 March 1986.
- ⁸⁶ The IGADD communiqué is reported in *SWB* ME/8161/B/1, 20 January 1986.
- ⁸⁷ *G* 15, 17 January 1986; *T* 17 January 1986; *SWB* ME/8159/B/2-3, 17 January 1986, ME/8160/B/3, 18 January 1986.
- ⁸⁸ *G* 30, 31 January 1986 and 1 February 1986; *FT* 31 January 1986 and 12 February 1986; *Kayhan International* (London) 2 February 1986; *WA* 24 February 1986, p 399 and 10 March 1986, p 529; *SWB* ME/8172/ii, 1 February 1986 and ME/W1377/A2/1, 18 February 1986.
- ⁸⁹ See *TWQ* 8(2) April 1986, pp 734-5.
- ⁹⁰ *IHT* 1-2 March 1986; *SWB* ME/8197/B/9, 3 March 1986, ME/8195/B/4, 28 February 1986.
- ⁹¹ *SWB* ME/8204/B/9, 11 March 1986.

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Third World Foundation News

*Each year, in addition to the publication of **Third World Quarterly** and the annual **Third World Affairs**, the Third World Foundation initiates and encourages a range of activities in its capacity as a forum for research, debate and independent publishing. These activities are linked by the common thread of their contribution to the aims of the Foundation: To work for the intellectual, economic and social advancement of the people of the Third World; to assist in the evolution of a fundamentally just and equitable relationship between the Third World and the developed countries; and to create awareness of the causes of poverty in the Third World.*

South-South Summits and Regional Conferences

South-South I: Strategies of Development, Negotiations and Cooperation. The Foundation and the Chinese Academy of Social Sciences co-sponsored a Third World Summit of Scholars and Statesmen in Beijing in April 1983. The papers delivered at the conference, together with the inaugural address by Mr Zhao Ziyang, Prime Minister of the People's Republic of China, are collected in *The Rich and the Poor* (London: Third World Foundation, 1983). The Conference decided that Beijing '83 would be the first in a series of regular consultations between Third World scholars, held every three years in different Third World capitals, until the goals of the Third World in equitable development, open negotiations and international cooperation had been met. The intervening period would be used for a thorough examination of specific regional issues and problems.

The Role of Regional Integration in the Present World Economic Crisis, the first regional conference under the Beijing programme, was co-sponsored by the Foundation and the National University of Colombia, and held in Cartagena in February 1984. The inaugural address by Dr Belisario Betancur, President of the Republic of Colombia, and the conference papers, are contained in *Regional Integration: The Latin American Experience* (London: Third World Foundation, 1985).

South-South Cooperation: Experiences and Prospects, the second regional conference, co-sponsored by the Foundation and the University of Zimbabwe, was held in Harare in November 1985. The Harare papers, together with the inaugural address delivered by Mr Robert Mugabe, Prime Minister of the Republic of Zimbabwe, form part of *Linking the South: The Route to Economic Cooperation* (London: Third World Foundation, 1986).

South-South II: Charting The Way Forward. The Foundation, in cooperation with the Institute of Strategic and International Studies, Malaysia, organised the Second Summit of Third World Scholars and Statesmen in Kuala Lumpur in May 1986, under the Chairmanship of Dr Mahathir Mohamad, Prime Minister of Malaysia. The conference papers will be published later this year by the Foundation.

Other Conferences and Seminars

Back to the Barracks. The Foundation, in cooperation with the Institute of Commonwealth Studies, London, organised a seminar on the return to civilian rule in developing countries, at Windsor, England, in June 1984. The seminar papers were published in the January 1985 issue of *Third World Quarterly*.

The Third World: A Twenty-five Year Retrospective and Prospective. The Foundation and the Center for International Studies at Duke University, Durham, North Carolina, co-sponsored an international convocation at Duke University in February 1985, whose focal issues were development priorities, authoritarianism and military rule and international debt. The keynote address, delivered by Sir Shridath Ramphal, Secretary-General of the Commonwealth Secretariat, is included in *Third World Affairs 1986*.

Survival in the Nuclear Age. To mark the Fortieth Anniversary of the commencement of the San Francisco Conference 1945, that led to the establishment of the United Nations, the Foundation and Parliamentarians for World Order co-sponsored a symposium in New York in April 1985. It was presided over by Mr Willy Brandt, former Chancellor of the Federal Republic of Germany. The Final Statement of the symposium, which subsequently formed part of the proceedings of the UN Conference on Disarmament, Geneva, is included in *Third World Affairs 1986*, together with papers delivered at the symposium.

The Transition to Democracy in the Third World. In cooperation with the University of Buenos Aires, the Foundation convened a conference in Buenos Aires in August 1985, to discuss the growing trend of re-democratisation in developing countries and the withdrawal of the military from political power. The inaugural address, delivered by Dr Raúl Alfonsín, President of the Republic of Argentina, was published in the January 1986 issue of *Third World Quarterly*.

Third World Prize

The 1985 Third World Prize was awarded jointly to Nelson Rolihlahla Mandela and Nomzamo Winnie Mandela. It was presented in Kuala Lumpur by Dr Mahathir Mohamad, Prime Minister of Malaysia.

Previous recipients of the Third World Prize of \$100,000, conferred on individuals and institutions for outstanding contributions to Third World development in the economic, social, political and scientific fields, have been: 1980 Dr Raúl Prebisch, the Argentinian economist: presented in New York by Sir Shridath Ramphal. The Guest of Honour was Dr Kurt Waldheim, Secretary-General of the United Nations.

- 1981 Dr Julius Nyerere, President of the United Republic of Tanzania: presented in New Delhi by the late Mrs Indira Gandhi, Prime Minister of India.
- 1982 The International Rice Research Institute, Manila, the Philippines: presented in Beijing to the Institute's Director-General, Dr M S Swaminathan by Mr Zhou Ziyang, Prime Minister of the People's Republic of China.
- 1983 Dr Arvid Pardo, Professor of International Relations and Senior Research Fellow at the Institute of Marine and Coastal Studies of the University of California, Los Angeles: presented in Cartagena by President Belisario Betancur of Colombia.
- 1984 Mr Willy Brandt, former Chancellor of the Federal Republic of Germany: presented in New York by Sir Shridath Ramphal. The Guest of Honour was Mr Javier Pérez de Cuellar, Secretary-General of the United Nations.

Third World Lecture

The Foundation organises the annual Third World Lecture, usually delivered by the Third World Prize winner or a nominated representative.

Peace and Development, the sixth Third World Lecture, was delivered in New York in 1985 by Mr Willy Brandt. The Lecture is published in *Third World Affairs* 1986.

Previous Third World Lectures have been:

- 1979 *The Politics of Affirmation*: delivered in London by Mr Michael Manley, then Prime Minister of Jamaica.
- 1981 *The Crisis of Capitalism*: delivered in New York by Dr Raúl Prebisch.
- 1982 *South-South Option*: delivered in New Delhi by President Julius Nyerere.
- 1983 *Agricultural Progress—Key to Third World Prosperity*: delivered in Beijing by Dr M S Swaminathan.
- 1984 *Ocean Space and Mankind*: delivered in Cartagena, Colombia, by Dr Arvid Pardo.

Manzur Qadir Memorial Lecture

The Foundation, in collaboration with the Manzur Qadir Memorial Society, Lahore, has instituted an annual lecture in Pakistan, in recognition of the contribution made by the late Mr Manzur Qadir to upholding the supremacy of the Rule of Law. Each lecture concerns a subject likely to contribute to the enhancement of human rights and freedoms.

The Right to Food: The Relevance of Human Rights to World Hunger, the first Manzur Qadir Memorial Lecture, was delivered in Lahore in December 1985 by Dr Philip Alston, Associate Professor at the Fletcher School of Law and Diplomacy, Boston, and Visiting Professor at Harvard Law School. The text of the Lecture is available from Third World Foundation, price £3.00.

STUDIES IN COMPARATIVE INTERNATIONAL DEVELOPMENT

STUDIES IN COMPARATIVE INTERNATIONAL DEVELOPMENT is an interdisciplinary social science journal, published quarterly, exploring current issues in development theory and practice. For twenty years the journal has analyzed social and cultural change, remaining open to all theoretical, methodological, and ideological approaches. SCID examines the great and sometimes growing differences between societies within each of the three worlds of development, and stimulates the scholarly exchange of views and research findings on the critical and complex relationship between population, technology, and policy in a developmental context.

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SOCIAL STRUCTURE AND STRATIFICATION • Kwang Chung Kim examines the recruitment of college-educated employees in Korea • Scott Menard explores the ties between fertility, development, and family planning • Julie Fisher on neighborhood improvement associations in the Latin American squatter settlements.

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TRANSACTION PERIODICALS CONSORTIUM

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Philip, George: **The Military in South American Politics**

Caviedes, César N: **The Southern Cone: Realities of the Authoritarian State**

Hojman, David E (ed): **Chile After 1973: Elements for the Analysis of Military Rule**

Gauhar, Altaf (ed): **Regional Integration: The Latin American Experience**

The Hunger Project: **Ending Hunger: An Idea Whose Time Has Come**

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FEATURE REVIEWS

Old soldiers never die: the military in Latin America

Harold Blakemore

Generals in Retreat. The Crisis of Military Rule in Latin America

Edited by Philip O'Brien and Paul Cammack

Manchester: Manchester University Press. 1985. 208pp. £22.50

The Military in South American Politics

George Philip

London: Croom Helm. 1985. 394pp. £25.00

The Southern Cone: Realities of the Authoritarian State

César N Caviedes

New York: Bowman and Allanheld (distributed in the UK by Costello) 1984. 212pp. £42.85

Chile after 1973: Elements for the Analysis of Military Rule

Edited by David E Hojman

Liverpool: Centre for Latin American Studies, University of Liverpool. 1985. 151pp. £5.50pb

'Old soldiers never die', runs the refrain of *The War Song of the British Soldiers, 1914-18* (anonymous writer), 'they only fade away'. This is not entirely true of the historical and political experience of countries with a strong democratic tradition and where the services have generally been subordinate to the civil power, countries which have seen successful military commanders subsequently become—usually through elections—heads of state. But, the Washingtons, Wellingtons, de Gaulles or Eisenhowers are comparatively rare. And they do not preside over military regimes. Their martial exploits, a key factor in their political success initially, fade away in their new profession. In Latin America, however, service commanders who govern nations and then cease to do so, have a striking historical habit of hanging around like ghosts or, much more commonly, being reincarnated. In short, military intervention in the political, economic and social spheres in that continent is not an unusual phenomenon but a commonplace. And, while, obviously, there are exceptions, they tend to prove the rule. The fact that, in the mid-1980s, most countries in Latin America have elected civilian governments is no guarantee

BOOK REVIEWS

at all that democracy will endure, for in so many states the role of the services in the national life has been as constant a feature of the landscape as the Andes and the Amazon.

And that has little or nothing to do with professional service success, at least since the Wars of Independence at the beginning of the nineteenth century, not only because there have been comparatively few wars *between* states, where reputations might have been made, but also because the armed forces' position in state and society is a crucial part of the warp and woof of Latin American history. Philip (p 1) is largely, though not entirely, correct in saying that 'serious study of the political role of the Latin American military dates back only to the 1960s'. It is certainly true that the volume of serious work on the subject increased rapidly from that decade and is now enormous. But historians have long been aware of the significance of the military in the evolution of the Latin American states, since their role was built into it from the time of the *conquistadores*, underlined by problems of imperial defence for over three hundred years, accentuated by the wars of independence, and emphasised by the vacuum of political legitimacy those wars themselves created in destroying imperial authority, thus making the struggle for power competitive. In Latin America, the man on horseback has always been around and historians have always known this.

Yet, while a number of historians have made distinguished contributions to the debate on the military in Latin America—and it would be invidious to name names, and tedious to present a bibliography here—they have generally been chary of theorising about the subject, reluctant to make comparisons, build models and construct schema. It is the nature of the historian's discipline to be particular rather than general. Other social scientists have filled that gap, enlarging discussion and provoking debate. It is only a slight exaggeration to say that most of the vast bibliography on the Latin American military which has emerged in the past twenty years or so has been derived from the impact of scholars who have not been afraid to put forward *general* propositions from particular cases. (For a succinct 'overview' of this development—and much else besides—see Arturo Valenzuela's article, 'The military and social science theory', *Third World Quarterly* 7(1) January 1985, pp 132–43.

Of the four books reviewed here, only the essays in Hojman do not strikingly reflect the indebtedness of their authors (and editors, where that description applies) to such thought-provoking 'models' as S E Finer's, *The Man on Horseback* (1962)—a pioneer work; Samuel Huntington's, *Political Order in Changing Societies* (1968), and Guillermo O'Donnell's, *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics* (1973). Lack of space here prevents a more detailed summary than that presented, but readers unfamiliar with the literature should consult Valenzuela (*op. cit.*). He, referring to the rise of military regimes from the 1960s which, in Latin America, reached their apogee in the 1970s—in Argentina, Brazil, Chile, Peru, Bolivia

and Uruguay—describes the striking advances in social science interpretations of military governments. He says:

This literature sought to comprehend, rather than pass judgement on, complex political phenomena such as military rule. It dismissed works, primarily by historians, as naive for their condemnation of 'ruthless' military leaders on the assumption that the curbing of predatory militarism would lead to a strengthening of liberal institutions . . . the revisionists held that military activity had to be understood as the result of basic societal imbalances which could only be corrected by changes in the underlying system (*op. cit.*, p 133)

The 'classic' works mentioned above are obligatory reference points for almost all subsequent writers, and it is significant that both Philip in his introductory chapters, and Cammack, in the first essay in the book he co-edited, spend a good deal of time considering them and, in part, refuting them. This is particularly true of O'Donnell's work—which he himself subsequently refined—and, summarily stated by Caviedes (p 135), 'that bureaucratic authoritarian regimes develop as a consequence of increased capitalist dependency, and that they must necessarily be anti-socialist in character and dominated by oligarchic elites', elites which he dissects. There is, then, a coalition of interests between those economic and political elites and the military when both feel their interests threatened on whatever grounds—ideological, economic, security, social change—under civilian governments. Military intervention, in its very different forms in the separate states, occurs against a common background. The question is: how, and when can it be liquidated? And what factors promote that development?

The four books reviewed here have the benefit of hindsight. They were published or, at least, written in one of those cyclical periods in Latin American history when long-standing military governments were giving way to civilian ones. In the early 1980s, we have seen Brazil's twenty-year old military government get out; Uruguay's ten-year uniformed regime give up and, in the aftermath of Argentina's débâcle in the Falklands war, military government there so discredited that a return to competitive, party politics was quite inevitable. The same cycle had already affected, or was affecting, Bolivia, Ecuador and Peru in South America, and a similar domino effect was recently seen in Central America. In South America itself today, only President (and General) Augusto Pinochet in Chile, and President (and General) Alfredo Stroessner in Paraguay survive as the (very) personal representatives of types of government democrats find abhorrent. And, clearly, the biggest element undermining the military who have gone—apart, perhaps, from Argentina though it was important there, too—was comparative economic failure or, rather, an inability to deliver what was expected, particularly by their middle and upper class allies, despite, as in Brazil and Chile, some euphoric years. Other factors were political and personal repression, leading to more vociferous opposition and a growing sense of misgiving among the military themselves.

But, we have been here before. Although the return to democracy is to be applauded, it should be recalled that, in the early 1960s, democracy was the rule rather than the exception, yet, within a few years, it was exactly the other way round. This is a generalisation and, as Dumas once remarked: 'All generalisations are suspect, including that one'. This is to say that, while certain Latin American states—notably Colombia, Costa Rica, Mexico (with some qualifications) and Venezuela—seem to have created viable democratic institutions and defused the possibility of military intervention in politics, most others have not yet done so. Moreover, it is salutary to recall that, in the early 1970s, we saw the aberration of the two most long-standing democratic countries of South America—Uruguay and Chile—succumb to military rule. The one has now been dismantled (after ten years), the other persists (after almost thirteen). And, in present world and regional economic circumstances, are the democracies immune? (Costa Rica, having no army, has probably had the best vaccine).

Such a scenario suggests that we should be talking more about contrasts than comparisons, while recognising the utility of 'models', and these four books appreciate the need for that balance. They all relate, explicitly, to these wider propositions and are useful contributions, though they are very different in character. Two of them—Hojman, and O'Brien and Cammack—are collective enterprises. The first evolved from a workshop in September 1983, at the University of Liverpool's Centre for Latin American Studies, to mark (commemorate or celebrate would hardly be appropriate words) the tenth anniversary of the military coup in Chile; the second resulted from a symposium organised by the editors for the forty-fourth International Congress of Americanists, held at Manchester in September 1982. The books by Philip and Caviedes are individual monographs. Obviously, since all four treat of similar, or related, material, they overlap: this is particularly true on the economic side. O'Brien and Cammack, indeed, regard—as their subtitle says—'the crisis of military rule in Latin America' as being essentially an economic one, and the individual essays, on Argentina (by William C Smith), Uruguay (Henry Finch), Brazil (Thomas E Skidmore) and Chile (Philip O'Brien), together with Paul Cammack's broad introductory essay and the editors' conclusion, are probably the best analysis of the apparent failure of the military governments in those countries to do better than civilian counterparts in tackling deep-seated economic and social issues. All the chapters are well-researched and persuasive, though, sometimes, language gets in the way: eg the introductory essay, in parts at least, has to be read twice over by the simple searcher after truth not accustomed to social science semaphore. ('In broad terms the issue is a familiar one, polarised in the choice between nomothetic and ideographic approaches: what it comes down to in practice is whether one should respect the internal logic and the coherence of the cases chosen for study or seek to draw selectively upon cases in order to produce a

model with a logic of its own' [p 13]. The issue might be made *more* familiar if one observed the dictum of Sir Samuel Garth, that there is such a thing as 'a barren superfluity of words'. But the fact that, here, we sometimes have it does not detract from a thoughtful and constructive series of case studies, set against the 'model' approaches of other writers on the theme. They achieve that balance which the preface spells out: 'Our purpose is to raise issues which are to be considered in the light of internally coherent accounts of individual national experiences, rather than to abstract out of them another general model which destroys the logic of the individual cases in order to construct one of its own'. (p vii). And, on the whole, they succeed.

The Hojman book reflects its origins as a random collection of papers which most academic workshops produce, and its sub-title is well-chosen. That 'Chilean song since 1973: an overview' (Catherine Boyle) is one element 'for the analysis of military rule' in Chile is, no doubt, true, and the essay is an interesting one, but it represents more a reaction to military behaviour than what actually conditions the latter. The other 'elements' are concerned with 'The Southern Cone model' (Laurence Whitehead); 'The current economic situation' (Lucy Blackburn)—a concise appraisal; 'The Church' (Hernan Rosenkranz); 'Agrarian change' (Cristobal Kay); 'Debt' (Luis Kaffman) and the editor himself, 'A quarterly econometric model of Chile, 1974-1979'. These are useful little essays—though duplicating much of what has appeared *in extenso* elsewhere—which, no doubt, will be incorporated into grander designs later.

Philip, who had written substantial works already on the Latin American military (notably Peru), provides in his book one of the best overall accounts, the result not only of detailed research but also of an encyclopaedic knowledge of the vast secondary literature. As a political scientist, politics must be his priority, but he does not neglect the fact that the boundary between political analysis and historical research in the study of institutions—such as the armed services—is rather blurred. In a number of chapters, he puts the Latin American military into clear historical perspective, and this is essential in seeking to understand them as institutions and to recognise their relations with the wider society to which they belong and their perceptions of it. Unfortunately, although the author is both learned and literate, he has not been well-served by his publisher: accents on Spanish and Portuguese names seem to have been entered (or, usually, omitted) in as arbitrary a manner as the military themselves often behave, and the close-knit type is abominable. If 'the medium is the message', this book is a mess but the cost of damage to the reader's eyesight has its compensation in its content and reflection.

In many respects, however, and certainly for the non-specialist, the book by Caviedes makes the best reading, primarily because he approaches the problem from a quite different standpoint. As a geographer, but with a multi-disciplinary approach, he emphasises—as the others do not—two critical

elements in the analysis: the geographical and geopolitical environment in which military regimes operate, and the social *ambience* in which they live and move. In this connection, it may be instructive to reflect on the facts that the earlier career of Chile's Pinochet was as an instructor in geopolitics at the Chilean Military School (cf his *Geopolítica: diferentes etapas para el geopolítico de los estados*, 1968) and that he also compiled ('wrote' would be too flattering a word) a *Síntesis Geográfica de la República de Chile* (undated) for military instruction. This covers not only Chile, despite its title, but also her neighbours, Argentina, Bolivia and Peru, natural preoccupations for a professional soldier, charged, *inter alia*, with the defence of sovereign territory against the possible pretensions and revanchist sentiments of contiguous countries. The book, moreover, is dedicated to 'the Military School of Chile, nursery of the traditions which form the soul of the officer corps of our army'. It is my guess—as an historian—that one can understand more about Pinochet by reading *Vigilia de armas* of Captain Tobías Barros Ortíz (1st edn, 1920) which he must have read and digested. That book is a paean of praise for the military profession as such, since the latter represents patriotism, sacrifice, discipline and order, qualities not always found, according to Barros, in civilians. Many of Pinochet's speeches—and he makes a lot—are the clearest echoes of Barros, though the environment has changed a bit with the contemporary 'Communist menace' to Chile which Pinochet has perceived since the time of Allende, if not before. But, although circumstances may be different, the arguments are more or less the same. In seeking to understand the Latin American military, there seems to me to be more in this in terms of historical and institutional continuity than in 'models', econometric or otherwise.

Though Caviedes does not mention Barros in either his text or his bibliography, his work is full of insights because he draws on a wide canvas—geographical, historical, social and economic. The other books are more narrowly based, and his is the best one for the layman.

In the conclusion to his article, Arturo Valenzuela declares: 'The irony is that studies of the military would profit more by turning to the traditional and more hortatory literature on the military, rather than drawing their inspiration from the "scientific" studies of the 1960s'. (*op. cit.*, p 143). There is a lot in this, and it comes through the pages of Philip, O'Brien and Cammack, and Caviedes, all of whom react, in different degrees, against those 'scientific' studies. Perhaps this means that the historian has his uses, after all. For example, few students of the military have actually concentrated on what the military in Latin America themselves have thought and said about themselves—their self-perceptions, psychologists might say. An exception is Frederick Nunn who, in his substantial books and articles, (eg, *The Military in Chilean History: Essays on Civil-Military Relations, 1810-1973* (1976) and *Yesterday's Soldiers: European Military Professionalism in South America, 1890-1940* (1983)) shows how a close study of service journals, coupled with

personal interviews with military personnel, provides very solid data on institutional structure, military ideologies and, perhaps, most important, the strength of continuities to be weighed against actual contingencies. The 'model-builder' has his place, for sure, though what he builds depends on a lot of brick-makers, among whom historians have a rather significant place. And, perhaps, the psychologist should be recruited, too. In the study of the Latin American military, there is an axiom of Goethe which might profitably be borne in mind: 'All theory is grey', he said, and he was right.

Bridging the South

Esperanza Duran

Regional Integration: The Latin American Experience

Edited by Altaf Gauhar

London: Third World Foundation. 1985. 282pp. £16.00

Perhaps the most recurrent topic in the recent history of Latin American economic development is that of regional integration. After the slow-down of Latin American economic growth in the post-war era and the increasing trade difficulties encountered by the countries therein, regional economic integration came to be considered an important and viable means to accelerate economic development. Many hopes were pinned on integration in the 1960s. Basing itself on Western Europe's model of free trade, the UN Economic Commission for Latin America (ECLA) proposed regional economic integration as a mechanism that would stimulate the Latin American economies by encouraging import-substitution and the specialised production of goods within a protected regional market.

However, more than a decade later, the creation of specialised institutions for that purpose, and a lot of rhetoric on the subject, substantial advances in the direction of creating a free trade zone in Latin America were still to be made. The explanations for the lack of success of integration efforts in Latin America are well known: the disparate levels of industrialisation and resource endowment, the varying sizes of the internal markets plus the different nature and orientations of the political regimes in the countries of the region. Apart from these obstacles, traditional rivalries and hostilities between some Latin America countries have added up to the difficulties of achieving a more integrated economic system. This led to a gradual loss of interest in the process.

Regional economic integration in Latin America, considered by many as an outdated subject and an unviable strategy for accelerating economic

development in Latin America, has received a renewed impetus. Indeed, the recent economic and financial crisis which most of the countries in Latin America are experiencing, with the consequent negative effects on the ability to import and the over-riding need to export to service a huge foreign debt, have led to a re-evaluation of the old model of economic integration. But also, and perhaps more importantly, a new sense of regional identity has emerged out of the sharing of similar economic problems and the same external constraints. The Latin American leaders have come to realise the importance of strengthening the economic (and political) links between the countries of the region.

In the light of these considerations the publication of the present book is most timely. It consists of a collection of articles which were presented at a Third World Foundation Conference which took place in Cartagena, Colombia, in 1984. This conference, the third in a series of South-South meetings, gathered delegates from Latin America, Africa, Asia and the Caribbean to assess the future of economic integration in Latin America.

Although not formally structured, the book can roughly be divided into three parts. The first four chapters set up the framework of analysis: three of them concentrate on the causes of the present international economic crisis and its effects on Latin American development and a fourth one is devoted specifically to the debt problem and its implications for the future economic development of the area. The second part of the book introduces the subject of integration proper, with one chapter dealing with the political aspects of Latin American cooperation and two general ones on the process of economic integration, how it has performed so far and the obstacles which prevent this process from advancing. Three specific case studies are presented: the Central American Common Market (CACM), the Caribbean Community and Common Market (CARICOM) and the Andean Pact. The last part of the book, consisting of the last three chapters, touches on slightly different but related topics: trade, protectionism and debt; the failure of the formal integration process in Latin America and the emerging new forms of cooperation; and the role the universities have played in increasing cooperation and communications within Latin America through academic links. A concluding chapter is unfortunately missing: the reader would have welcomed some brief remarks highlighting the main points made by the contributors to the volume, whose views on several important topics coincide to a remarkable degree.

The authors of the first three chapters, Osvaldo Sunkel, Enrique Iglesias and Celso Furtado present a similar interpretation of the causes of the current problems faced by the world economy which are at the root of Latin America's huge external debt difficulties. They focus mainly on the fact that during the 1970s the international financial system acquired a markedly private character. A few big banks gradually gained a great freedom of manoeuvre and outgrew

the supervision of the national financial authorities, thereby achieving an almost unchallenged control of the international financial system. This led to 'financial permissiveness' which made it relatively easy for the Latin American countries to borrow unprecedented amounts from private commercial banks in order to keep growing at relatively high rates when the industrial centres were undergoing a pronounced recession. Though the three authors would agree that the responsibility for the present situation is shared by the transnational banks and the governments of both the industrial nations and the Latin American countries, the analyses mostly concentrate on the actions and omissions of the first two. They are written in the best ECLA tradition: the stress on the importance of economic developments in the centres and their negative impact on the periphery. It is surprising to find this style of analysis (so much in vogue more than a decade ago) still favoured by these authors, although perhaps less so considering that Sunkel and Iglesias are consultant and former Executive Secretary of ECLA respectively.

The general tone of the book is one of pessimism, in what concerns the present and future situation of the world economy in general and that of the Latin American countries in particular. Also, it contains a gloomy appraisal of the achievements of the integration efforts in the region. The dismal view of the international situation is particularly noticeable in the introductory part. What transpires from it is that a sound economic recovery in the OECD countries cannot be expected given the present circumstances. This will, in turn, affect the Third World by not providing the necessary stimulus for expansion. Sunkel is quite explicit on this. He believes that what the world is facing at present is not a transient era of recession but rather a long-term decline of the world economy. The present slight recovery of the US and other industrial countries will not be sustained and will give way to a more profound structural crisis, to the 'tempestuous close of an expansionist epoch or phase of capitalism' (p 13).

To meet this challenge imposed by external conditions the Latin American countries can have the alternative of choosing new routes and exploring 'new future options'. Though none of the authors go as far as proposing an alternative paradigm for Latin America's future economic development they do point to the need for Latin America to embark on a more equitable and autonomous style of development and they, implicitly and explicitly, state that regional cooperation within Latin America and between Latin American and other Third World countries should play a fundamental role.

Other more concrete suggestions for reducing the region's vulnerability to external shocks, for overcoming the present crisis and for fostering long-term growth are: the creation of a new set of international public institutions; the renegotiation of Latin America's external debt with growth in mind rather than with restrictive economic policies; the redistribution of income within Latin America; the pursuit of expansionist policies in the industrial centres. Though

North-South Monitor

of SADCC, speaking of South Africa's destabilisation of the frontline states. *The Guardian* (London) 31 January 1986.

▲ Mozambique-South Africa
Ministerial Meeting
Maputo, 26 February 1986

■ The South African Minister of Foreign Affairs, Roelof 'Pik' Botha and the Mozambican Minister in the Presidency for Economic Affairs, Jacinto Veloso, met for talks requested by the South African government. Their discussions centred on the Nkomati Accord on Peace and Non-Aggression between the two countries, which South Africa had previously admitted having 'technically' violated.⁸⁹

In a joint statement issued after the meeting, the two sides reported that they had agreed on the importance of the Pact to the peoples of Southern Africa and to peace and stability in the region. Following this reaffirmation of the treaty, it was announced that the two sides had drawn up proposals to strengthen the Accord. 'Pik' Botha was reported to have said after the meeting that the talks focused on ways of investigating violations of the treaty.⁹⁰

▲ Mozambique-Tanzania Joint Commission
Eleventh Session
Dar es Salaam, 9 March 1986

■ The Mozambican delegation to the joint commission was led by Pascoal Mocumbi, Minister of Health, and the Tanzanian by Basil Mramba, Minister for Industries and Trade. In a final joint communiqué, the two countries reiterated their pledge to continue moral and material support to the liberation struggle in Southern Africa. They condemned South African acts of aggression and destabilisation against Mozambique and the other frontline states, and denounced what they termed Pretoria's oppression against the South African and Namibian peoples.

The ministers commended the achievements towards bilateral cooperation achieved during the period from 1985-6, while noting the potential for further cooperation. During the meeting, a cooperation programme was drawn up, which covered agriculture, industry, education, culture, health and information for the 1986-7 period.⁹¹

This Monitor was written and researched for Third World Quarterly by Maya Jaggi.

become standard words. By the end of the book one has a strong feeling of *déjà vu*.

Although there is nothing wrong with the ECLA analysis of the Latin American situation, it does facilitate leaving out certain important pieces of the puzzle: for instance, the structure and characteristics of the Latin American debt (mostly composed of short-term loans at floating exchange rates which were the main cause of an otherwise manageable situation turning into one of difficult solution) are not much taken into consideration. Also, one misses a critical appraisal of the long-term development strategies commonly chosen by the Latin American countries (very much under ECLA guidance) which had a great deal to do with maldistribution of income, inefficient allocation of resources, mismanagement, in short, to Latin America's present quandary. As regards future economic plans for the region, although the general lines are clear, a bit more precision on certain key topics would have been very welcome. The foreign trade implications (regional and extra-regional) of debt servicing could add an interesting dimension and timely debate to discussion: about future development strategies. What are the possibilities of Latin American countries embarking on export-led growth? Would it be desirable? What are the alternatives?

These last criticisms, however, do not detract from the value of this book. Most chapters are well-argued, straightforward and well-written; they contain thoughtful analyses on topics of prime importance. This book is essential reading for those interested in the current trends in Latin American economic thought and the state and prospects of Latin American integration.

Words and hunger

Philip Alston

Ending Hunger: An Idea Whose Time Has Come

The Hunger Project

New York: Praeger. 1985. 430pp. £25.00. £12.95pb

Since its creation in 1977 the Hunger Project has 'enrolled' 3,500,000 people in 152 countries, all of whom are considered to have 'publicly declared their commitment to the end of hunger'. Its stated purpose is to 'generate a global context of individual will and commitment for ending hunger on our planet by the end of the century'. (p 400)

But despite these worthy objectives the Hunger Project has been the subject

of a variety of attacks challenging its sincerity, the motivation of its founders and the usefulness and acceptability of its techniques.¹ Perhaps the most readily verifiable of the allegations made against it is the virtual absence of any practical projects aimed at the alleviation of hunger. The funds raised are used almost entirely for the holding of seminars and briefing sessions and the publication of brochures and newspapers (*A Shift in the Wind*) the main thrust of which is to repeat constantly the slogan that ending hunger is an idea whose time has come.

The publication of this book thus represents a major effort by the Hunger Project to establish its *bona fides* and to demonstrate that the funds which it raises are being put to good use. The coffee table-sized book is magnificently produced. In format it is a mix between the *National Geographic Magazine* and the World Bank's annual *World Development Report*. The colour photography, which takes up almost half of it, is superb. Its text is divided up into chapters dealing with the basic facts, population, food, foreign aid, national security, the New International Economic Order (NIEO) and success stories in the fight against hunger (Taiwan, China, Sri Lanka are highlighted).

The book has a veritable cast of thousands. In addition to the 250 or so who are listed as having been directly involved in researching, writing, editing, reviewing and producing the publication, there is an excruciatingly self-conscious effort to quote every conceivable authority on the issues at hand. Those whose opinions are reflected range from Walter Rodney, Susan George, Frances Moore Lappé, Mao Tse-tung, Henry Kissinger, Peter Bauer, Pope Paul VI and the Heritage Foundation. The result is a confusing pot-pourri of often diametrically opposed viewpoints, each of which is assumed to have a degree of validity but none of which is presented in sufficient detail to enable readers to reach a reasoned conclusion for themselves.

Thus, for example, the chapter dealing with the NIEO presents the views of 'representatives' of what are said to be the two main schools of thought on the subject. The first considers that 'to promote development and to end hunger and poverty a (NIEO) must be established in place of the current international economic order'. By contrast, according to the second school, 'the present economic order is working well—if anything, it needs to be strengthened. The proposals for a (NIEO) are based on false premises, are impractical and are potentially dangerous'. The book accords the thoughts of the second school almost double the space of the first. The chapter concludes, characteristically, that the debate 'provides a valuable resource for ending hunger'.

This attempt to achieve an impartial, apolitical treatment of controversial issues is typical of the approach of the entire book and indeed of the work of the Hunger Project as a whole. Its rationale can only be understood in the light of the organisation's origins. It was founded by Werner Erhardt who continues to

¹ See, for example, *The New Internationalist*, June 1985, pp 14–15 and 28.

be on its Board of Directors and who contributed some of the funds for the production of the book under review. Erhardt is described (p 401) as the 'originator of a technology of transformation' and the 'founder of an international network of individuals, organisations, and foundations carrying out the work of individual and social transformation'. He is best known as the creator of EST (Erhardt Seminar Training) whose message of individual empowerment through self-awareness is effectively carried over into the Hunger Project.

Thus the dust-jacket of the book promises that:

In its pages you will discover ways of interacting with hunger and other global issues that can lead to real solutions rather than more debate and controversy. You will see how to understand and effectively use information that seems contradictory and confusing. You will be empowered to hold and reconcile divergent viewpoints so that their differences support, rather than obstruct, you in arriving at a solution. You will learn principles for action through which vision and intention can be turned into reality.

The problem is that such touching faith in the power of individual enlightenment serves to mask a persistent refusal to take a stand on any of the fundamental issues which lie at the heart of the problem of world hunger. The organisation's 'guidelines for enrolling others in the Hunger Project' counsel that 'when people resist or argue, don't resist or try to move them off their position. Make it clear that the context of the end of hunger and starvation by 1997 holds all positions, even ones that say it can't be done'.² It is almost as though a group dedicated to the promotion of peace in 1940 was not prepared to differentiate between Hitler and Roosevelt or Mussolini and Churchill. It would simply repeat over and over that peace is possible and then reproduce excerpts from the speeches of each of the relevant leaders.

In the area of hunger there *are* demonstrably harmful practices; there *are* instances of unconscionable failures to act on the part of governments and other actors; and there *are* solutions which deserve to be championed. The Hunger Project's total ambivalence leads inevitably to a prescriptive paralysis which in the end can only be used to justify the status quo. Reacting against such approaches a recent report on Hunger in America concluded that 'it is time to end the contrived befuddlement of some who wring their hands wondering what to do about hunger'.³

On the technical level, the book tends to over-simplify almost all of the issues with which it deals. For example, by taking an infant mortality rate of below 50 deaths per thousand as a definitive indicator of a society's success in eradicating hunger, the authors conclude that 'since 1900, seventy-five countries have ended hunger within their borders as a basic, society-wide issue'. As a result, the focus of the book is exclusively on the Third World and problems in

² *ibid.*, p 15.

³ Physician Task Force on Hunger in America, *Hunger in America: The Growing Epidemic*. Boston: 1985, p 120. *

countries like the United States are virtually dismissed (only 'pockets of hunger exist', p 386). Yet a recent report by the Harvard University School of Public Health concluded that 'hunger is a problem of epidemic proportions' in the US, affecting up to 20 million individuals.⁴

If lavishly produced books could end world hunger this one could do it. If slogans which are repeated with sufficient frequency could do the trick, the incantation that 'ending hunger is an idea whose time has come' would certainly work. But if tough political decisions and carefully targeted pressures are required, neither the book nor the slogan which it embodies will make much difference to world hunger. It is unfortunately no more than a glossy recipe for inaction supported by the trappings but not the substance of academic analysis.

Power, Passions, and Purpose: Prospects for North-South Negotiations

Edited by Jagdish N Bhagwati and John Gerard Ruggie
Cambridge, Massachusetts: MIT Press. 1984. 338pp. n/p

Shortly before the March 1983 Non-Aligned Summit meeting in New Delhi, a conference of academics and policymakers took place in the Indian capital. Its purpose was to analyse the discouraging state of the Global Negotiations, a major Third World initiative that had issued from the previous Non-Aligned Summit in 1979. After the conference, two participants drafted a policy statement that called upon the non-aligned to cease efforts at 'launching the unlaunchable' and to pursue instead 'medium-term reforms', notably through a proposed International Monetary Conference (pp 325, 327). The Non-Aligned conference proceeded to do just that.

More than most academic colloquia, therefore, the Conference on Global Negotiations appears to have had a significant impact upon governments' decisions. If for no other reason, this volume which contains the main invited papers prepared for that conference would be of considerable interest. The essays, which deal with such issues as debt, trade, the global economic organisations, South-South cooperation and various facets of the politics of North-South bargaining, are in fact all knowledgeable and thoughtful. They contain a host of ideas about what the South ought to be seeking (eg more open trade, more voice in global institutions like the IMF, an expanded compensatory financing facility) in its negotiations with the North. Yet most of these essays do not directly address the issue of whether the Global Negotiations format is the best way to achieve needed change.

This task fell primarily to Jagdish Bhagwati who helped to organise the conference and who co-authored (with Carlos Diaz-Alejandro) the policy paper which appears at the end of the volume. Bhagwati's introductory chapter vehemently argues against the Global Negotiations strategy on the grounds that it is utterly unrealistic. His point is simply that the South lacks the power to induce the North to enter comprehensive negotiations on the global economy. He argues that the 'oil card' has been played out: after a fleeting moment in the 1970s when OPEC's success in raising oil prices did

⁴ *ibid.*, p 4.

enhance Third World bargaining capability, the power configuration has reverted to Northern hegemony. The strategy of Global Negotiations was flawed by the 'sharp disjunction between Southern demands and Southern strength', (p 9) between power and purpose (the passions of the title are mainly found in Bhagwati's contributions). One need not disagree with the proposition that the North is a powerful actor to question whether Bhagwati's tirade against the Global Negotiations as 'a wasteful and counterproductive diversion' (p 14) is not excessive.

John Gerard Ruggie's contribution may have reinforced Bhagwati's pessimism about Third World ability to change the prevailing economic structures. Ruggie draws upon the work of regime theorists to argue that the basic norms of the current liberal regime emphasising market rationality are rooted not only 'in the interstate hegemony of the United States' but also in the characteristic form of state-society relations throughout the advanced capitalist world (p 37). These are structural determinants that are difficult to renegotiate; moreover, to the extent that they are unravelling, disorder rather than a new global compact is the likely outcome. While acknowledging that some regime change did occur during the Third World challenge of the 1970s, he notes that it was limited in scope and impact. He concludes that indigenous efforts within and among developing countries are far more promising than a strategy of North-South bargaining. Ruggie's scepticism is rather differently grounded than Bhagwati's, but they both see the Global Negotiations as futile.

Perhaps the most informative chapter is by Muchkund Dubey, an Indian diplomat with first-hand knowledge of intra-Third World bargaining. He reveals internal compromises that were struck between oil-producers and oil-importers in sessions leading up to the Havana summit. What his essay reveals more fundamentally is a divergence of views between Algeria, the principal promoter of the Global Negotiations approach, and India over the best tactics for bargaining with the North. This kind of participant-observer's account of internal trade-offs at non-aligned meetings is rare to find. It throws considerable light upon the Indian position at the New Delhi summit. It also provides grist for Bhagwati's mill in charging that 'excessive preoccupation with Global Negotiations' has been counter-productive to Southern interests (p 84).

Bhagwati's argument receives partial support from the contribution of John Sewell and William Zartman which employs negotiation theory to examine the negotiating process itself. They stress the utility of cross-cutting alliances that transcend a strict division into North versus South and they exalt the virtues of incrementalism. They are dubious of prospects for a grand global compact and to this extent endorse Bhagwati's preference for a more limited agenda. (This may sound familiar to readers of this journal, for their chapter appeared in the April 1984 issue of *Third World Quarterly*.)

Whether the Non-Aligned Summit was most influenced by the insights of negotiating theory, regime theory, Bhagwati's vehement power realism, or Indian diplomacy (I would vote for the last), the fact remains that it did approve the general notion of medium-term reform (which the official summit declaration recast as 'Immediate Measures') and the more specific call for an International Monetary Conference. As Bhagwati expressed some confidence that a shift in objectives would break the stalemate, it is fitting to ask how the revised strategy has fared.

More than three years have passed since the Non-Aligned conference. Despite persistent efforts by Prime Minister Indira Gandhi and top Indian cabinet officials who travelled to New York and Washington to press for the monetary conference proposal.

no such meeting has yet to convene. The closest approximation that the North has offered were the sessions in spring 1985 of the IMF's Interim Committee and the World Bank's Development Committee that produced very little in the way of results encouraging to the Third World. The South's shift to Bhagwati's recommended strategy has had disappointing results.

This suggests a reworking of the terms of Bhagwati's argument. He is right about power but wrong about purpose. There is a disjunction between the power that the Third World has and the global changes that it needs. Misled by remarks in December 1982 by the US Treasury Secretary, Donald Regan, about the desirability of world monetary talks, Bhagwati believed that a change in purpose would serve to get North-South talks on the tracks. The problem turned out to be more the intractability of the North than a poor choice of purpose by the South. What is needed is to reverse the terms of Bhagwati's solution: the problem (as some states argued at the Non-Aligned Summit) is not to change the purpose but to change the power. This, of course, is very difficult to do; in one manner or another, the non-aligned states will presumably address this long-term problem at the Harare summit. Robert McNamara welcomed *Power, Passions, and Purpose* as a 'useful road map to more mutually beneficial relations between rich and poor countries'. There is indeed some careful mapping of the North-South terrain in this volume, but the Southern detour away from the Global Negotiations was not the quick road that Bhagwati assumed it to be.

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The Touch of Midas: Science, Values and Environment in Islam and the West

Edited by Ziauddin Sardar

Manchester: Manchester University Press. 1984. 253pp. £20.00

Ideals and Realities: Selected Essays of Abdus Salam

Edited by Z Hassan and C H Lai

Singapore: World Scientific. 1984. 369pp. n/p

The Touch of Midas contains a selection of papers presented to a series of seminars entitled 'Science and technology in Islam and the West: a synthesis' hosted in Stockholm by the International Federation of Institutes of Advanced Study and generously funded by the Islamic Solidarity Fund in Jeddah, the Salen Foundation in Sweden, the Spanish Ministry of Education and the King Saud University in Riyadh, Saudi Arabia.

In spite of its impressive subtitle, the most striking feature of this book is that none of the papers is presented in a scientific manner. The key concept of science is never defined and there is a dearth of carefully reasoned argument backed by solid evidence. The most positive contributions are Lloyd Timberlake's survey of the growing environmentalist movement and a listing by M Ali Kettani of some fifty Muslim scientists active from the ninth to the fourteenth centuries (AD) and their achievements together with the contributions of Muslim travellers to geographical knowledge. The rest is speculation, assertion, and special pleading.

The main burden of the special pleading is that all the ills caused by misuse of the

unforeseen effects of scientific research and technological development in the world today could be corrected by the application of Islamic values to science. Two papers list (slightly divergently) and expound these values, which are culled from the main categories of Islamic law, and the final contribution summarises a seminar in which the Western delegates asked how the Muslims thought the values should be applied. The Muslims explained that the topic was still under study by the Islamic Foundation for Science and Technology for Development in Jedda. Clearly, the next step in this exercise is for the Foundation to develop detailed proposals for the application of Islamic principles to specific contemporary problems in science and technology and then have them put into practice by Muslim governments.

Then we shall all look forward to a fresh series of seminars to discuss the application of the results they obtain to the rest of the world.

The reconciliation between Islam and the practice of modern scientific research which was not even approached in the contentious *Touch of Midas* papers has been achieved in the person of Abdus Salam, the subject of *Ideals and Realities*. Honoured internationally as 'one of the finest theoretical physicists in the world', he shared the Nobel Prize in 1979 for his contribution to the theory unifying two of the four fundamental forces known to govern the physical universe, the electromagnetic and the weak nuclear force. His Nobel Prize lecture, which is included in this selection, provides a rare and valuable opportunity for the non-specialist to gain a direct impression of what is involved in work of this refinement and magnitude.

Muslim by birth and conviction, Abdus Salam does not aggressively assert the superiority of his religion but recognises that 'deeper religious feeling is one of the primary urges of mankind' and spends increasingly more of his time, energy, and even his Nobel Prize money on sharing the results of his experience with all mankind, and most especially that of the Third World.

As the essays in this book show, supplemented by a number of published interviews with Abdus Salam and independent accounts of his activities, all his undertakings are centred in a clear understanding of the lessons learnt from direct experience and careful study. They are expressed in tireless, almost superhuman, efforts to create the conditions for the pursuit of fundamental scientific research in every region of the world on the incontrovertible grounds that it is the quintessential mainspring of modern technological culture. Those—and they are still a majority—who imagine that the uncoordinated importation of technological hardware into societies which have no understanding of its working or implications will of itself bring coherent modern development are putting their faith in glittering but empty illusions.

Abdus Salam is convinced that the only realistic remedy for this pathological condition is the education of a critical mass of basic scientists in all countries in coordination with the foundation of regional centres of basic research and adequate provisions for scientists to travel and work among other engaged in their specialist field. The story of Abdus Salam's difficulties, disappointments, and achievements up to 1983 is amply recorded in this book. It makes inspiring reading for talented young scientists in the developing world and very sobering food for the thought of all politicians and specialists in 'development'.

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The Smoke Ring: Tobacco, Money, and Multinational Politics

Peter Taylor

London: Sphere Books. 1985. 361pp. £2.95pb

The Smoke Ring makes good reading about a major problem. Peter Taylor describes in interesting detail how tobacco's wealth corrupts government and the media. He argues that tobacco advertising and tax revenues, along with the jobs and wealth created, prevent the media from telling the truth about and governments from taking effective action against tobacco's health toll. He shows how media and governments thus join multinational companies to form 'the smoke ring' that protects pecuniary interests at the cost of millions of lives. Unfortunately, some of Taylor's economic and policy analyses are incomplete and lead to incorrect conclusions.

Taylor's descriptions of the corrupting influence of the private tobacco companies is exceedingly well researched and documented. A chapter called 'The media gets the message' provides convincing accounts of tobacco companies effectively censoring articles on the health risks of smoking in periodicals from Britain to Australia. Another chapter illustrates how the companies buy respectability by supporting the arts, describing, for example, members of the London Symphony Orchestra wearing the corporate colours of its patron, Peter Stuyvesant cigarettes. Yet another chapter reveals how the companies avoid certain advertising bans and seek youthful consumers by supporting sports events and concerts. Taylor provides compelling examples of editors and politicians who lost jobs because they opposed 'the smoke ring'.

But Taylor's case that governments do not control tobacco because the industry provides large financial benefits is not compelling. Taylor makes a gross mistake when he says that 'cigarettes . . . bring economic benefits which, in purely financial terms, outweigh the cost of human suffering.' Putting aside the question of how one measures the suffering of the 2 to 2.5 million people who die each year because they smoke, the statement is wrong. One recent US Congress Office of Technology Assessment study put tobacco's annual US cost in health and lost productivity at \$38-95 billion, while the revenues of all tobacco sales totalled only \$30 billion. Similar analyses published before *The Smoke Ring* make similar conclusions for Australia, Canada, the US, and parts of Western Europe.

Two chapters deal with the Third World. In them, Taylor argues that tobacco's wealth has corrupted the Third World's ability to control tobacco use. Zimbabwe, he correctly shows, earns foreign exchange by exporting tobacco. Zimbabwe, however, also undercuts Taylor's thesis because the government has separated tobacco production policy from consumption policy. Partly as a result of a strong anti-smoking campaign, Zimbabwe has reduced cigarette consumption more than any other nation, thus leaving more of the deadly weed for export. This fact weakens Taylor's argument that all governments must first act to reduce economic dependence on tobacco before they can protect the health of their people.

Taylor provides much detail of tobacco's growing influence and effect on Brazil, the Dominican Republic and Malawi, where the multinational tobacco companies have also gained leverage and power with their advertising and profits. He documents the environmental as well as the health costs of tobacco production.

The author, however, glosses over the enormous and increasing use of cigarettes in China and the Eastern bloc, where the industry is state-owned and advertising does not

exist. He hardly mentions China although China accounted for half the growth in world tobacco use over the last decade. Chinese and Polish men smoke at least as heavily as Americans or the British. They also die like Western smokers.

Taylor is correct that banning advertising would help, but it might be more effective to ban smoking in public, something that Taylor apparently does not favour. Taylor defends the smoker's right to smoke without questioning whether smoking by addicts or smoke inhalation by passive smokers is voluntary. His conclusion that anti-smoking groups cannot fight the tobacco companies is premature, as evidenced by the growing list of local governments and corporations in the United States that prohibit or restrict public smoking and smoking at the workplace.

Taylor is also correct that tobacco's financial benefits influence governments' willingness to banish tobacco, though the real power of tobacco probably originates in peer pressure and addictiveness. In any case, his implicit recommendation that governments should not tax tobacco because tax revenues hook governments on tobacco consumption is poor advice. Taxes on tobacco discourage young people from starting and encourage light smokers to quit. Many health advocates now argue for increased tobacco taxes.

The Smoke Ring is a useful, entertaining book, and its history of the private tobacco industry's political influence is well researched. It provides a sense of history and a strong warning to all who risk corruption from the influence of tobacco wealth. It is useful background for serious policy analysis.

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The Aluminium Industry in India: Promises, Prospects, Constraints and Impact

V B Lal, D K Abrol, P R Bose and K Kumar

New Delhi: Nistads. 1985. 249pp. n/p

Aluminium is one of fourteen basic products which form the base of an industrialised economy, generating an enormous range of empirically verifiable backward and forward linkages. As one of the strategic materials of the twentieth century no one can dispute the significance of the industry in the Third World struggle to develop. Yet, despite the fact that most of the world's bauxite originates in the Third World, no single country has yet been entirely successful in establishing national control over this important industry. Even India, with enormous reserves of bauxite, great hydropower potential, huge national and regional markets and forty years experience in aluminium production, has so far failed to become 'an aluminium power'. This study seeks to explain why. In pursuit of this aim the authors go beyond official government studies to examine all aspects of aluminium production against a background of wider structural changes in the international organisation of production. The authors begin by outlining how a small group of six multinationals have been able to maintain control over the bulk of the world's aluminium capacity, occasionally resorting to the use of 'extra-economic pressure' to sustain their oligopoly. However, while the Indian industry was initially dominated by these companies (who still possess a significant share of Indian capacity) the problems confronting the Indian industry do not stem from the activities of these

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foreign companies but from the general underdevelopment of the Indian economy as a whole.

Today, the Indian economy supports five aluminium companies (two state-owned, three joint ventures) with a total capacity of 350,000 tons per annum. However, over the last decade capacity utilisation has fluctuated between 60–70 per cent, requiring increasing imports of metal to meet local demand. This failure to maximise production is largely attributable to the unreliability of power supply and the failure to coordinate infrastructural and directly productive investments. Consequently, although the aluminium sector currently consumes 5 per cent of the national power supply, it is difficult to understand the government's attitude in seeking to limit the use of hydropower by aluminium producers. The government argues that it is better for companies to establish their own captive thermal stations and intensify efforts to conserve energy than for the government to favour aluminium producers with a guaranteed supply at subsidised prices. However, this ignores the point that energy can almost be considered a raw material in itself and that any disruption to supply involves both massive start-up costs and the gradual weakening of the production process. Furthermore, it undermines the potentially catalytic effect that a flourishing aluminium industry would exercise on the rest of the economy. There are, of course, other problems facing the industry, the quality of bauxite is generally low, several raw materials are simply not available locally while the establishment of a central pool of self-generating technological expertise is made more difficult by the various restrictive agreements entered into with foreign companies. Yet against the central problem of power supply these difficulties appear to be minor and capable of resolution by many of the measures recommended by this study. For example, useful suggestions are made in relation to R & D, on the need to develop new applications for the metal (there being no reason why India should follow Western consumption patterns) and on the need to devise a national materials policy.

Today, India possesses a well-balanced aluminium industry with the potential to become Asia's largest producer. On the whole the government has pursued sensible policies to protect the industry—discouraging the export of bauxite and not allowing any one company to dominate. It is the enormous potential of the industry which makes the government's attitude to power supply all the more inexplicable.

RONNIE GRAHAM

London

Nutrition and Development

Edited by Margaret Biswas and Per Pinstrup-Andersen

Oxford: Oxford University Press, 1985. 190pp. £17.00

While it has taken a long time to accept that food and nutrition problems are multifaceted, the issue still remains about generating the literature that could assist policy and decision makers. To compound this problem, ministers and permanent secretaries in Ministries of Planning can come from such diverse fields as statistics, political science, economics and even medicine. In this slim work in the Oxford Medical Publication series, the two editors took the difficult and challenging task of putting together a volume that would take nutrition essentially to development planners.

The introductory chapter on the nature of malnutrition by Payne focuses on the changing perspective of the processes of malnutrition. These new perspectives, the improved physiological and biochemical knowledge of malnutrition and the ineffectiveness of past nutrition programmes have led to the re-examination of the causes of malnutrition. However, there are no simple answers nor are we likely to get any short-cut solutions or technical 'fixes'. While nearly a third of the chapter is on seasonality, work and health, the policy implications of the causal analysis lead well into the next chapter.

Norse's contribution on resource policies and technological change is especially important for Africa, where the thinking is still that natural resources are the principal determinants of food production and nutritional well-being. The summary statements on adoption of modern technologies and on research should be developed further, if for instance, suicidal ventures into high-cost irrigation schemes are to be avoided.

The impact of export crop production on human nutrition by Pinstrup-Andersen, one of the editors, is much studied. In a sense some of the concepts need re-examination. For instance, under what conditions does export crop production turn against the poor? Related to this chapter, is the one by Scandizzo and Tsakok, which is worth reading in order to understand why no precise solutions can be prescribed on food price policies.

The chapter on Food Aid, Nutrition and Development is rich. Biswas's contribution is based on an extensive review of recent studies and documents from international organisations which deal with food aid. It adroitly balances the positive and negative aspects of food aid by focusing on major issues and detailed realities such as transport, personnel and related problems.

The last three chapters, are all by authors from developing countries. Integrated health/nutrition/population programmes are covered by Sampthey and Sai; Mitra attempts to portray the nutrition situation in India and this contrasts with the contribution of Soemadjan on the influence of culture of food and nutrition in Indonesia.

In the context of the African food crisis, the book has much to offer. For instance, the review chapter on supplementary feeding programmes and their design by Kennedy and Knudsen cannot be ignored. The easy flow of the book, minus any polemics on population explosion or ideological partisanship or economic prescriptions should provide welcome relief for those who wish to think as objectively as possible. There are some rather chilling problems. If one agrees with Biswas, the question arises as to which African countries will need food aid in the transitional stages and which nations will never be self-sufficient in food. Scattered throughout the book are ideas where additional research is urgently needed: gender controls of incomes and spending, the empirical studies to determine effects of food aid and agricultural production, research and information on poverty and food etc.

As a hard-bound volume dedicated to Nevin S Scrimshaw—humanist, nutritionist and teacher extraordinary—the book may well be out of reach of most of the intended readers in the Third World. The book deserves to be produced in a soft-covered edition, for then it has a greater chance of providing food for thought for a much larger audience of decisionmakers.

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State Policies and Internal Migration: Studies in Market and Planned Economies

Edited by A S Oberai

London: Croom Helm. 1983. 347pp. £15.95

The austere title of this volume disguises the crucial importance of the subject-matter in any programme for development whether it be based on market, central planning or cooperative systems. What is discussed throughout the volume, and in particular in the excellent introduction and first chapter by A S Oberai, is at the core of any social change—namely, the labour and population effects of rural and urban development. For too long economists' assumptions about the behaviour of labour linked to material incentives and labour markets have dominated the discussion and this is one book which accepts from the beginning the fruitlessness of pursuing the unregulated labour-market path towards sectorial population balance.

There are six case-studies of basically rural-urban case policies—Malaysia, Sri Lanka, India, Indonesia, Nepal and Poland. The last case-study supports the sub-heading of the book in relation to 'planned economies'. The absence of African and Latin American case studies detracts from the global scope of the book. This is somewhat made up by the depth of the case-studies presented, especially that of Indonesia by J P Perez-Saint and Malaysia by Paul Chan. Perez-Saint links capital accumulation with migratory policies providing useful insights into the foundations of such policies. The India study by Ashish Bose constitutes a catalogue of frustrations and implementation problems arising from state policies, which should serve as a warning to any hopes of changing patterns of migration via rural industrialisation and small-scale industry projects. I Frenkel's analysis of the Polish experience with labour migration provides important information on how centrally planned economies have coped with labour migration, always remembering that the Polish farming policy was an exception to the policies in other Eastern European states.

The scope of the volume is limited in the sense that the authors stick closely to the migratory policies and details and there is little extension of the policies into social conditions, and, in particular, social movements and consciousness that such migrations and policies precipitate. This is to be expected in an International Labour Office associated study in that the political authorities of the organisation have the right to approve all that issues from it. A S Oberai has shown what can be achieved even within that limited framework.

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Energy in the Transition From Rural Subsistence

Edited by Miguel S Wionczek, Gerald Foley and Ariane van Buren

Boulder, Colorado: Westview. 1983. 208pp. £16.50

The purpose of this book, as stated by the editors, was to define the problem—or complex of problems—of energy demand and supply in the poorest agricultural sectors

of the developing world. It is the result of an eighteen-month collaborative effort by the International Institute for Environment and Development (IIED), El Colegio de Mexico, the Technical Assistance Department of the Netherlands Foreign Ministry and the Gesellschaft für Technische Zusammenarbeit of the Federal Republic of Germany. The goal of this effort was to sketch the outline of future energy strategies to cope with rural energy problems.

The book consists of eleven chapters, the first two of which serve as introduction. The main material is the case studies in Chapters 3–10 which includes cases from Mexico, Guatemala, Brazil, Jamaica, Senegal, Nigeria, Korea and India. The last chapter is a review.

In the first chapter an attempt was made to abstract a number of key ideas and use them to create a framework for analysing the case studies and defining the policy steps. It includes a discussion on the constraints on subsistence energy use, the transition from subsistence fuels, the context for policy, the constraints on energy technology choices and the move towards new energy strategies. The second chapter contains a revision of energy technologies for rural development. These are divided into energy for survival—including charcoal, ethanol, methanol, biogas and solar cooking—and energy for development, including draught animal power, wind power, solar power (mechanical and electrical), external combustion engines, gasification and internal combustion engines.

The most difficult obstacle in the fight against deforestation is correctly identified as the absence of economic or social mechanisms that ensure the replacement of the trees cut down for fuelwood as free goods from common land. The different constraints on fuelwood plantation, ethanol and methanol production and biogas promotion, such as availability of cash and land, and the absence of an infrastructure were mentioned and discussed. A considerable amount of up-to-date information was given in Chapter 2 on the different energy technologies. Information on costs should, however, be used with great care as they differ enormously from one country to another.

A few comments may be mentioned on these two chapters. The figure of 3.6 tonnes of firewood (about 60 GJ) was given in Chapter 1 as the average annual domestic fuel consumption in developing countries for a family of six. This is compared to energy consumption in cooking in Britain, which, because of the use of more efficient electric and gas stoves and cooking pots, is only about one-twelfth of the value given above. It was not clear whether the author used the figures of primary or secondary energy consumption in Britain. Also, to avoid possible misunderstanding, the figures of domestic energy consumption in developed (industrialised) countries might also be given for comparison. For a family of six, the primary domestic energy consumption in developed countries may be assumed as high as 360 GJ (10 MWh for household, 15 MWh for water-heating and 50–75 MWh for space-heating. The conversion efficiency—30 per cent). This is about six times the domestic energy consumption of the same family size in developing countries. The striking thing here is the higher ratio of the secondary energy consumption of the two families. A family in developed countries may consume about twenty times or more secondary energy than the same size of family in developing countries. What should be emphasised here are two points; first, the families in developing countries consume their energy mainly on cooking. The non-availability of this energy for eating purposes threatens their survival. In contrast, families in developed countries consume their energy mainly on such items as household machines.

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ce-heating/cooking, water-heating etc. Thus, the non-availability of the energy fired will only affect their quality of life. Second, the family in the rural areas of developing countries depends on fuelwood as the major source of energy. Thus, easing the efficiency of fuelwood utilisation, planting fast-growing species, and finding an acceptable and environmentally sound substitute to fuelwood not only would improve the environmental situation as far as such serious problems as desertification and desertification are concerned, but could also relieve the family from the burden of collecting fuelwood or cutting down trees. This would indirectly contribute to an increase in their productive capabilities. Although, these points follow directly or indirectly, from more than one case-study, they might have been brought into the focus with introductory chapters.

The information given in case-studies is well presented and categorised in a way to facilitate reference and comparison. The information on the present and future rural energy policies of the different countries analysed in the light of their national energy sources and situation are of great interest and considerable importance to decision-makers in developing countries, engineers and scientists working in this field and to national and international organisations involved in rural energy development.

This book succeeds in highlighting many important issues in rural areas such as energy demand and supply and in presenting several case-studies to demonstrate. Among others, the approaches used and the methods of tackling this extremely difficult problem in different countries. It is to be hoped that the book will encourage others to work on this subject and share their experience—whether successful or not—with their colleagues working in the same field.

IA EL-MAHGARY

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Collective Clientalism: The Lomé Conventions and North-South Relations

by John Ravenhill

New York: Columbia University Press. 1985. 389pp. US\$49.00

Lomé Conventions, now in their second decade, have generated a considerable amount of North-South study, debate and polemic. The overall objective of this new book by John Ravenhill is to provide a thorough review and evaluation of the implementation of the Lomé Conventions from 1975, when Lomé I was signed, to 1981, the year following the signing of Lomé II.

The theoretical underpinnings of the study are elaborated in the opening chapter which develops a critique of dependency theory for underestimating the room for manoeuvre of Third World states in relation to international structures and external constraints and actors. Drawing upon some of the theoretical insights from the study of non-client relations, the author offers 'collective clientalism' as a more useful alternative approach for understanding and explaining the nature and evolution of P-EEC relations and why the ACP have failed to achieve the objectives they sought in the Convention.

The substantive part of the study begins with the second chapter which describes the

evolution of EEC-Third World relations from the Treaty of Rome, through the two Yaoundé Conventions, up to Lomé I. The following six core chapters marshal and discuss a wealth of primary and secondary source material relating to the Conventions' principal instruments and areas of cooperation: Stabex and Sysmin, commercial cooperation, the evolution of ACP-EEC trade, the sugar, rum and banana protocols, industrial cooperation, and financial and technical cooperation. The final chapter summarises the failings of the Lomé Conventions in relation to the aspirations of the ACP and explains these in terms of the ACPs' inability to negotiate effectively and in terms of shifting EEC perceptions of its economic self-interest: towards the countries of the Middle East and the NICs and away from the ACP.

Although the substantive core chapters of the study are successful in developing a detailed review of the Convention's principal mechanisms over the period under discussion, they suffer from a number of limitations. For Lomé aficionados much of the material presented will already be familiar, reflecting the fact that the study ends its enquiry nearly five years ago. Indeed, the timing of the book is somewhat unfortunate. The final revision of the text, in early 1984, took place during the negotiations that led to Lomé III in December of that year. Many observers agree that the new Convention differs in a number of crucial respects from the two preceding conventions. For this reason, it is a pity that the publishing deadline was not pushed back to enable Ravenhill to incorporate the lessons to be drawn from the latest round of negotiations. With Lomé III into its second year, a study that terminates in the first year of Lomé II cannot but look a little dated. Moreover, given the breadth of scope of the study, it is rather surprising that there is no reference to the issue of human rights since it was a major problem area in the Lomé II negotiations (and even more so in the Lomé III negotiations) and is an issue that sheds interesting light on the political character of ACP-EEC relations.

A number of limitations of the kind of evaluation of the Conventions that is attempted in the study can also be identified. Firstly, because it deals with the Convention as a whole, statements concerning the value of the Conventions' provisions tend to be pitched at a very general, aggregate level of trade and financial flows etc. Secondly, because the author explicitly commits himself to assessing the Convention from the perspective of the ACP, the Conventions are evaluated almost entirely with respect to the degree they have fulfilled, or fallen short of, the aspirations of ACP governments and officials. While this is a perfectly legitimate exercise it does mean that there is very little independent assessment of the *developmental* value of the Conventions' provisions. On the one hand there is little critical evaluation of the uses to which the Convention has been put by the ACP; on the other, and apart from some general comments that suggest that Lomé has both contributed to the diversification of ACP economies and increased ACP dependence upon external assistance, there is little discussion of the developmental impact and consequences of Lomé for ACP economies and societies.

Whether Ravenhill's use of 'collective clientalism' adds to our understanding of the dynamics and limitations of the Lomé Conventions and proves to be a superior alternative to 'dependency', will have to be judged by the book's readers. One problem is that the term is used in at least three different ways in the text: as a heuristic concept to be deployed by the social scientist; as the strategy adopted by the ACP in their dealings with the EEC; and lastly, as the kind of relationship the ACP aspired to construct with

the EEC but failed to do so. This gives rise to a number of ambiguities concerning the theoretical status and role of this construct. Similarly, while it is clear that during the Lomé I negotiations the ACP pursued, to the surprise of many, a genuinely collectivist strategy, it is debatable whether the ACP have pursued anything approaching a collectivist strategy since then. If this is the case, then Ravenhill's attempt to explain the limits of the Lomé Conventions in terms of the internal contradictions of a strategy which simply has not been pursued, is fraught with difficulty.

However, and despite the reservations made above, Ravenhill has produced a valuable contribution to the study of the Lomé Conventions. The fact that the book is extremely well researched, and is both competent and informative, will ensure its enduring usefulness and value for practitioners, scholars and students of North-South relations. It is, nonetheless, a study situated firmly in the macro-dynamics of North-South relations. What is urgently needed now, however, is to complement studies of the macro-dynamics of the Lomé Conventions such as this one with far more independent study and research on the developmental impact of Lomé for specific ACP economies and societies.

JOHN HILL

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Botswana: Liberal Democracy and the Labour Reserve in Southern Africa

Jack Parson

Idershot, England: Gower. 1984. 145pp. £11.50

Almost every reader of this small volume (145 pages) will not dispute the fact that the book is quite informative on many aspects about Botswana. Using the political economy approach Dr Jack Parson successfully demonstrates how a colonial power like Britain managed to transform a former prosperous and self-sufficient people into a poor and dependent nation.

The book has seven chapters. Chapter one lays the general background of the whole book and surveys some of the constraints that Botswana faces. These are the geopolitical situation, i.e. the landlocked nature of the country and the reality of a hostile and powerful neighbour South Africa. Others are, for example, the scanty and inadequate rainfall, the vastness of the country and the predominance of a desert type of climate. The primary physical problem of lack of water is thus highlighted.

Chapter 2 looks into how the Tswana lived before contact with British colonialism, what impact colonialism had on them and how they reacted to it. In his examination of the pre-colonial Tswana societies, Dr Parson looks at the economic, social and political organisation of these peoples. He examines the various mechanisms, political and otherwise, that the British used to compel these peoples to go into wage employment in South Africa, especially to the mines. Here he specifically touches on the impact of taxation on the Tswana. It is through these various mechanisms, that 'formally self-sufficient peasants in a tributary society were now partly proletarianised and they

became a peasantry.' (p 26) The end result, he maintains, was the development of South Africa and the underdevelopment of Botswana.

This chapter further looks at nationalism, how it evolved, and, what form it took. Treating the subject historically, Dr Parson shows how the various political parties originated in the then Bechuanaland, what each stood for and how independence was finally granted.

Chapter 3 deals with the role of the state in post-colonial Botswana and discusses the institutions (both political and economic) that prevail in post-colonial Botswana and their functions. It's in this chapter that Dr Parson assesses Botswana's multi-party system and throws some light on how and why it has survived. He not only concerns himself with the ruling party and why it has been winning elections since independence, but also why none of the opposition parties has given it any real challenge.

Chapter 4 is an assessment of Botswana's development strategy. Proceeding from the premise that Botswana's economy at independence was relatively 'weak, externally oriented and underdeveloped', Dr Parson highlights the sources of Botswana's rapid economic growth since independence to date. Here he maintains that minerals, especially diamonds, have been the major source of this growth. He discusses the contribution of the other national asset--cattle. Despite this rapid growth mainly due to minerals and foreign investments, Botswana's distribution of wealth from both cattle and mining is highly skewed.

This point is developed further in chapter five which concentrates mainly on the consequences of the development strategy described in Chapter 4. The disparities between the rural and urban areas and those within each of these sectors are also discussed. Using the results of the 1974-5 income distribution survey for example Dr Parson shows the inequality in the rural sector in the ownership of cattle. Thus 83.8 per cent of the rural households are said to own 25 or fewer cattle while 45 per cent own no cattle at all.

Chapter 7 is concerned with Botswana's position in the region and globally. Regionally, Botswana is still dependent on South Africa; most imports, especially of consumer goods are from the republic. Globally, Botswana remains an appendage of the advanced capitalist countries. While she has sought to reduce dependence on South Africa, she has increasingly become dependent on these advanced capitalist countries.

Chapter 8 concludes the book. While it briefly reviews each of the major themes discussed throughout the book, it also raises a key question about Botswana which is also critical for other developing countries. This is: what are the likely problems of sustaining this dependent development? Will Botswana manage to sustain this type of development in the long run? It is a very good and inevitable issue to raise especially after an analysis of the nature that Dr Parson has carried out.

Indeed, merely having a share in mining is not the same as determining how and in whose interests mining take place: unfortunately Dr Parson does not follow this point. He only predicts (and rightly so), the inevitability of conflict between the peasants and the petty bourgeoisie.

Dr Parson's book raises some interesting points and arguments although he does not develop some of the important points that he raises. Probably this is due to the fact that he attempts to cover too many issues. The example is the point I have just mentioned about the likely implications of Botswana's dependent development.

The concept of 'peasantry' is not adequately defined or explained. Though a new

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concept, the author uses it as if the meaning would either be obvious or has been given elsewhere in the book. Consequently, the reader may get an unintended meaning. For example, it is not very clear even after one looks at footnote No. 26 (brief description of this concept) of Chapter 2 whether there is a proper working class in Botswana or not.

Otherwise, the book is a milestone in analysing the political economy of Botswana. Without doubt, it can enhance the understanding of Botswana. As a result, I would not hesitate to recommend it to undergraduates, not only in Botswana but in other parts of Africa since the story of Botswana is one among many of similar kinds in Africa.

GLORIA MASAIE

University of Botswana

Sociology of 'Developing Societies': Sub-Saharan Africa

Edited by Chris Allen and Gavin Williams

London: Macmillan. 1982. 217pp. £10.00. £3.95pb

It is now over twenty-five years since Ghana, the first sub-Saharan country, became independent and in that time many books and monographs have been published. Some of these books and articles were published to acquire PhD degrees, some to advance academic careers and had very little relevance, and some were written by partisans who were involved in political struggles and are of extreme value because they revealed to us what were the hopes and fears of those who were prepared to sacrifice everything for a free Africa. Here I refer in particular to the works of Fanon, Cabral, Mondlane, Nkrumah, and Lumumba.

Sub-Saharan Africa is today going through its worst crisis. Drought is threatening millions with starvation and death. Almost four million Africans are refugees from one form of disaster or another. In Southern Africa after almost fifteen years of bitter struggles, Mozambique, Angola, Guinea Bissau and Zimbabwe became independent. On the other hand, Namibia is still controlled by racist South Africa, whose forces are conducting genocidal war against the people of Namibia, Angola, Mozambique, and Zimbabwe. In South Africa itself, the racists are determined to hold on to power, no matter what.

It would seem to me that any volume, claiming to discuss the sociology of sub-Saharan Africa, should provide insights into these tragedies. Alas, this particular volume, despite its promising title, discusses none of these topics. Of those who were in the thick of struggle, there is only one selection from Fanon!

The book is made up of an introduction in which the editors try to draw common themes that unite the selections. The selections themselves are grouped into six sub-topics covering colonialism and class formation; gender, production and politics; peasants, poverty and patrons; prophets, priests and rebels; urban poor, and, finally, a section on the African bourgeoisies. Anyone who keeps up with the left-of-centre publications would have come across these articles at one time or another. Some of the articles are published in full, but some are abridged.

Any selection of this type poses problems by its very nature as the articles are bound

to be of uneven quality. The question then, is why would one want another collection, given the fact that there are already so many on the market? It is the nature of the capitalist market to package and re-package old products, which in itself is not bad. This particular volume is part of a larger re-packaging project by Macmillan with volumes still to come for South Asia, the Middle East, South-East Asia and Latin America.

The aim of the 'Sociology of Developing Societies' series, we are told in the preface, is to offer a systematically linked set of texts for use as a major teaching aid at university level. Be that as it may, I am not quite sure if this volume even minimally meets that objective.

BERNARD MAGUBANE

University of Connecticut

Education and Income Determination in Kenya

Arne Bigsten

Brookfield, Vermont: Gower. 1984. 156pp. £14.50

Kenya is among the most successful of the African countries in developing and expanding her educational system. Kenya's Ministry of Education, Science and Technology is one of the few government departments with a high annual budget. With a high population growth, the Kenyan government has constantly found the need to modify and reverse various aspects of the educational system both at the basic and post-secondary levels. At the university level, recent changes have included the establishment of the Moi University in Eldoret and there are plans to make Kenyatta University a fully fledged university and also upgrading Egerton Agricultural College in Njoro to a university status. All the teacher training and agricultural colleges in the country have gone through numerous changes. One of the most significant changes in 1984 was the implementation of the 8-4-4 programme in the basic educational systems in the country.

Arne Bisten's book must be reviewed in context of these changes pervading Kenya education. According to the author, the main purpose of the book is to focus '... the impact of education on labour income and in doing so, it also considers the role of labour market policy and labour market structure. Education is a crucial factor in development policy. This study does not purport to deal with all aspects of interests, but will hopefully contribute to our knowledge about the relationship between education and income in Kenya as well as the functioning of the Kenya labour market.' (p vii). The study attempts, with success, to tell the readers the impact of education on incomes and the effects of labour market structure and policies on the distribution of earnings.

To achieve this, the book is organised into seven chapters with a preface which summarises and sets the tone of the book, and an up-to-date bibliography. The book contains forty-four tables, twenty-nine appendices, and six maps and illustrations analysing various aspects of Kenya's educational and labour economy. It lacks a subject-author index, a list of tables, a list of appendices, and a list of maps and illustrations, but has extensive notes at the end of each chapter. The book would have been improved by placing all the appendices at the end of the book instead of at the end of each chapter.

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The first chapter contains a succinct summary of post-independent Kenya's extremely rapid development of education within the context of the relationship between labour market structures and the distortions of earnings. The chapter also summarises the major conclusions of each of the six chapters. The evolution of the Kenyan labour market during the twentieth century is discussed in Chapter 2 with special emphasis on institutions and labour policy. An attempt is made to determine their impact on the level and structure of earning. Chapter 3 compares in detail the segmentation of urban and rural labour markets. This chapter proves beyond any doubt that there are wage employment opportunities in rural areas, especially in the public sector, although less diversified than in the rural areas. Chapter 4 contains analysis of the determination of the earnings in the modern sector. The development of Kenya's educational system is described and rates of return to education are calculated and analysed. The changes in the skilled labour market in Nairobi, the primate city and the major employment centre are analysed in Chapter 5. In this chapter the author shows beyond any doubts that there is a degree of integration as this labour market is increasing and that the income distribution within the highly skilled labour group is becoming more equal. In Chapter 6 the determination of smallholder agricultural incomes is analysed with particular emphasis on the role of education. It is shown in this chapter that access to education has large positive effects on income from regular employment which in turn has positive effect on innovations and thus income from agriculture. This will have positive effects on the rural development of the interaction between the urban and rural sectors of the economy. The final chapter pulls the threads together and assesses the impact of educational expansion on the labour market and income distribution.

Arne Bigsten has done a very competent job in analysing and synthesising the complexities of the impact of education on labour income, market policy and market structure. The book demonstrates that the educational system in Kenya has matured since education was introduced in the country by the missionaries so that the British could rule the country with minimum resistance. But in the process and over the years education has contributed to the rural development of the country. The book deserves a wider audience among the scholars interested in understanding education, economics and labour structure in general and Kenya in particular.

In order to understand and appreciate the book's contributions to the debate on the role of education in Kenya, it should be read in conjunction with the reports written by the Phelps Stokes Commission, which set up the Jeanes School at Kabete, as well as the recommendation of the more recent Kenya commission on education, namely Ominde 1964, Bessey 1972, and Gachachi 1976. Since the focus of the book is on the post-colonial era since the 1970s, D N Sifuna's *Short Essays on Education in Kenya* (Nairobi: Kenya Literature Bureau, 1980) should be consulted for the periods prior to 1970. Given its readability, the book will find a readership amongst students of education and economics, planners and general readers who are interested in the welfare of Kenya.

R A OBUDHO

State University of New York at Albany

Amritsar: Mrs Gandhi's Last Battle

Mark Tully and Satish Jacob

London: Jonathan Cape. 1985. 238pp. £10.95

The Sikh political party in India, the Akali Dal, has repeatedly agitated for demand has considered essential to safeguard the position of the Sikhs as a community. Political power for the Sikh community and the promotion of Sikh religious traditions have been seen as essential to prevent the Sikh religion from being absorbed into Hinduism. Besides, the political fortunes of the Akali Dal are linked to Sikh communal solidarity.

Between 1981 and 1984, the Akali Dal launched a civil disobedience agitation against the government which saw the emergence of an extremist fundamentalist Sikh leader Jarnail Singh Bhindranwale. From the sanctuary of the Golden Temple in Amritsar, bastion of Sikhism, Bhindranwale launched terrorist acts against Hindus and moderate Sikhs. In June 1984, after years of escalating Sikh unrest and unsuccessful negotiations with Akali leaders, the Prime Minister of India, Mrs Indira Gandhi ordered the Indian army to storm the Golden Temple. This action, code named Operation Blue Star, resulted in the death of Bhindranwale and many of his followers and in considerable damage to sacred Sikh property. It was seen by many Sikhs as an insult to their religion. A few months later, Mrs Gandhi was assassinated, reportedly by two of her Sikh bodyguards. News of the assassination was followed by anti-Sikh riots and compounded the Sikh community's deep alienation from the mainstream of Indian politics.

The authors focus on the background to the Indian army's action in Amritsar, and provide a detailed anecdotal account of the rise of Bhindranwale, the radicalisation of Sikh unrest and of Operation Blue Star. They hold Mrs Gandhi and a small caucus within her Congress Party responsible for creating the political environment in which Bhindranwale's fundamentalism flourished. It is argued that Bhindranwale was initially brought to prominence by Mrs Gandhi in an attempt to undermine the influence of the Akali Dal. Later, rivalry among two leading Sikh politicians in Mrs Gandhi's government prevented official action against Bhindranwale in spite of his growing extremism. Negotiations between the government and Akali leaders proved inconclusive due to Mrs Gandhi's unwillingness to concede demands which might erode her support from the Hindu majority in India and further emboldened the extremists. The Akali Dal leaders, for their part, initially welcomed Bhindranwale and lacked the political courage to oppose him when he threatened to eclipse their role. Mrs Gandhi, the authors argue, remained indecisive in the face of Sikh extremism and when she finally acted it was 'too much, too late'.

Veteran journalists, Tully and Jacob tell a good story. The limitations of their book stem from their concern with the actions of individual leaders during the past five years rather than the social and political developments which have contributed to Sikh unrest.

RAJIV A KAPUR
Geneva

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Arab Rebirth: Pain and Ecstasy

Jacques Berque (Translated by Quintin Hoare)

London: Al Saqi Books. 1983. 138pp. £12.00

Bargaining for Reality: The Construction of Social Relations in a Muslim Community

Lawrence Rosen

Chicago and London: The University of Chicago Press. 1984. 210pp. £18.50. £8.25pb

Like the paintings of Van Gogh, the prose of Jacques Berque can be dramatic and colourful—a proliferation of vivid ideas boldly applied in brilliant strokes over the broad canvas of Arab history, geography, and culture. This is a relatively short, impressionistic essay which is free of the convolutions and obscurities of style which mark some of Berque's longer works. It represents the distillation of a life-long fascination with 'Arabism . . . a myth', as he puts it with devastating accuracy, sustained by a culture and sharpened by historical events.'

Berque is so closely attuned to the intellectual and emotional dynamics of the contemporary Arab world that he seems to touch in this essay upon every single topic or opinion currently under serious discussion. These resolve into three main themes: the propensity of the sacred tradition of Islam to pre-empt definition of Arab identity—as in the widely held belief that every Arab, regardless of his confession, must assent in principle to the *Sharia* or Islamic system of religious law; the collision between this sacred tradition and the formation of nation-states intent on securing the benefits of development' based on an alien secular tradition of science and technology; *de facto* Arab helplessness in the face of unremitting interference in their affairs by the alien inheritors of that scientific tradition and its vastly superior physical and economic power. Berque gives no detailed discussion of these themes but presents instead the nuances of their interaction, piling fact on symbol, on opinion, on analysis, on direct poetic expression, with an immediacy that transforms his prose into an inspired representation of living reality.

Nobody is going to agree with every word in this book, but it conveys like no other the essential vitality of contemporary Arab culture, pointing up its dilemmas in a multitude of fresh perspectives and stimulating active minds into renewed thought and more vigorous pursuit of solutions.

In contrast to Berque's lifetime study of Arab culture and reality, Rosen spent twenty months from January 1966 to August 1967 in Sefrou, a small town in the Atlas region of Morocco as part of a group project of American social anthropologists headed by Clifford Geertz, followed by two periods of three and four months respectively in 1969 and 1978. The Americans on the project clearly spent a great deal of time together 'discussing each other's work with the result that *Bargaining for Reality* reads more like a committee's report on an inquiry than an anthropological monograph.

Indeed, Rosen begins the book by writing off 'current ethnography and theory' about families, tribes, quarters, and brotherhoods' ordered by common logic or social structure' residing in 'the rules by which groups are composed and directed' on the grounds that he was unable to find any 'corporate groups' to fit these categories. One wonders where he looked, and for how long.

Instead of all that, Rosen uses North American academic 'philosophy of speech acts

as well as interpretive theory' to reduce all those irrelevant 'structural' categories to permeable 'concepts' which he wrenches clean out of their native cultural context to construct an elaborate tissue of 'theory' interspersed with large claims prefaced: 'In Sefrou society . . .', 'in all realms of Moroccan life . . .', 'in contemporary Moroccan usage and conceptions . . .', 'in Islamic thought . . .', and the like. Needless to say, the resulting theory is more closely related to North American sociological thought than to any tradition-based Moroccan, Arab, or Islamic reality.

Had he taken the trouble to ask them, the people of Sefrou could have explained that the depressingly few examples Rosen cites in his book do not represent the dire struggle of isolated individuals to bargain for reality in an uncertain world. On the contrary, every Sefrawi is born into a complex web of kin, neighbourhood, and community obligations and relationships which are gradually explained to him as he grows up. Experience soon teaches him that there are many reasons why people prefer to evade their prescribed obligations and that his recurrent problem in social life is not how to construct relationships but, more pragmatically, how to activate his pre-existing networks to ensure that he collects the favours due to him as the need arises. This process is clearly illustrated in the incidents quoted in the text.

Nevertheless, this remains a valuable book for anyone concerned with contemporary North American sociological methodology and socio-linguistic philosophy. Once the Moroccan examples cited are taken as hypothetical examples of philosophical theory, the arguments are seen to be carefully thought out and meticulously presented. Rosen covers a large body of theory with exemplary refinement and detail.

JOAN FBEID

Oxford

Bangladesh: A New Nation in an Old Setting

Craig Baxter

Boulder and London: Westview Press. 1986. 190pp. £19.50

Bangladesh: Biography of a Muslim Nation

Charles Peter O'Donnell

Boulder and London: Westview Press. 1986. 332pp. £47.25

Bangladesh won its independence twice. In 1947 it became independent from the British as the eastern province of Pakistan following the partition of India. Twenty-four years later in 1971 it seceded from Pakistan to become Bangladesh. In the first instance, the Bangalis had joined their fellow co-religionists in their struggle for a separate Muslim homeland because they could no longer tolerate the economic exploitation of the absentee landlords who were mainly Hindus. Eastern Bengal, the once 'golden Bangla', with an overwhelming Muslim population had been turned into an impoverished rural slum by ruthless *zamindars* (landlords) who lived in ostentatious splendour in Calcutta. The Bangali Muslims were not only impoverished and debt-ridden but were also educationally and politically backward. In the circumstances, the Bangali Muslims responded enthusiastically to Mohammad Ali Jinnah's demand for a separate homeland

and voted overwhelmingly for the Muslim League in the 1946 general elections which was seen as a referendum for Pakistan.

Although the Bangali Muslims were in the forefront of the Pakistan movement, their struggle for a separate homeland was less concerned with the founding of an Islamic state but rather to escape from the tyrannies of an exploitative economic system. But disillusionment came swiftly. Having got rid of their Hindu landlords, the Bangalis found themselves being exploited by their fellow-Muslims in West Pakistan. Although Pakistan's economic growth was seen as a model for developing countries, the growth was uneven and the economy of East Pakistan was organised for the benefit of the West. All the major industries were sited in West Pakistan; the bulk of foreign exchange and foreign aid were also invested there; and even though East Pakistan earned more than half of Pakistan's foreign exchange through the export of jute, it received paltry sums for investment. Additionally, there was a massive transfer of real resources from the East to West; the disparity in per capita income widened every year and the standard of living for the Bangalis declined.

The economic disparity became intolerable following the military take-over in 1958. As long as there was democracy in Pakistan, the Bangalis could hope to use their numerical superiority to ameliorate their grievances, but with popular representation denied and with scarcely any Bangali in senior civil or military positions, the Bangali leaders despaired of help from the central government and therefore sought control of their own destiny through greater provincial autonomy. The Awami League's six-point programme of provincial autonomy appeared to Bangalis to be a charter of freedom and mobilised widespread support. In 1970, under popular pressure the military rulers agreed to hold a general election but when the Awami League won an absolute majority, the military abrogated its promise to restore democracy and sought to repress the Bangalis through military action. In the ensuing civil war, the Pakistan army was defeated in December 1971 and the Bangali Muslim became independent for the second time.

Both books under review, which are a most welcome addition to the sparse literature on Bangladesh, provide a historical analysis of the emergence of the new state and contain a wealth of up-to-date information not easily available elsewhere.

Baxter's slim volume, *Bangladesh: A New Nation in an Old Setting* is more ambitious and provides a magisterial survey of the history of Bangladesh from ancient times up to the present. He writes with great lucidity and sympathy, shows a deep insight and understanding of the people and the problems of the country, and ends with a message of hope where others have despaired. But this distinguished erstwhile functionary of the US State Department claims greater US sympathy for the democratic regime of Sheikh Mujib than facts would warrant. The US, chagrined by Bangladesh's trade relations with Cuba, had deliberately withheld the shipment of grain under the PL480 agreement, which resulted in the gruesome famine of 1974 and the subsequent overthrow of Mujib. The champion of democracy had undermined another democracy, the consequences of which continues to blight Bangladesh even today.

O'Donnell's *Bangladesh: Biography of a Muslim Nation* focuses more on recent developments and provides a fascinating account of the land, the resources, the society, culture and nationalism of the Bangali people. It is an invaluable handbook written with clarity and contains a shrewd analysis of the political and economic issues confronting the new state. His description of Bangladesh as a *Muslim* nation is provocative. Islam in

Bangladesh is deeply rooted in its soil, and draws heavily from the folk milieu. Religion for most Bangalis is a personal matter: in the mode of dress, dietary habits, customs, language, social and cultural practices, superstitions and even in worshipping of common deities there is little to distinguish a Bangali Muslim from his Hindu neighbour. To accord primacy to Islamic identity is to inject sectarian venom in an otherwise harmonious society—a mischief to which military rulers have often stooped in order to split their opponents.

GOWHER RIZVI

Oxford

Khans and Shahs: A Documentary Analysis of the Bakhtiari in Iran

Gene R Garthwaite

Cambridge: Cambridge University Press, 1983. 213pp. £25.00

In recent decades Western historians and anthropologists have come closer together in common endeavours to re-examine both Western and Third World society and history. One of the welcome features of this trend has been the willingness of both kinds of specialist to learn from each other in studying the 'tribal' peoples of the Fourth World. In most cases, a lack of documentation gives the anthropologist precedence, but various tribal peoples have participated in the economics and politics of states and empires long and actively enough to have left a considerable mark in the archives, sometimes producing their own chronicles. In such cases, historians and anthropologists are on equal ground: the former have 'done history', scouring archives and chronicles as well as oral narratives for information to provide depth to their accounts of social and cultural change; the latter, not content with the often meagre 'facts' to be established from such materials, have enriched their interpretations with ethnographic, theoretical and comparative insights from anthropology.

Among the peoples to have received such combined attention are the Bakhtiari, a 'tribe' of half a million people whose leaders have played a prominent, at times dominant, role in recent Iranian history. Half a dozen Western and Iranian anthropologists have done field studies among them, and their history has been exhaustively researched by Professor Garthwaite, whose long-awaited monograph is now under review.

This cooperation has not been all roses. While anthropologists have not always been as careful or critical as they might in their use of sources, historians have sometimes employed outmoded or inappropriate anthropological theories or concepts. A major problem persists: however welcome the shift of perspective from 'state' to 'minority', the nature of the sources continues to dictate a history of politics and dynasties; tribal economic and social history remain as obscure, and the 'common people' as faceless, as before.

Garthwaite's book, excellent in so many ways, runs foul of some of these problems. Indeed, he is explicit that his history is perforce the history of one family, that of the Duraki khans who have ruled the Bakhtiari from the mid-nineteenth century. As a

result, his laudable attempt to provide an anthropological background to Bakhtiari nomad life remains poorly integrated with the historical narrative and analysis that form the substance of the book.

The first three chapters set the scene. In the first, the author offers a historical and theoretical survey and the 'hypothesis' that the potential for tribal confederation is directly proportional to the strength of an external stimulus; pastoralism militates against confederation, unless there is a need for defence or a push for expansion or conquest; an organised state can itself become the external stimulus, when the potential for confederation is proportional to the degree of bureaucratic organisation. Chapters 2 and 3 discuss Bakhtiari nomadism and tribal political structure. Bakhtiari history is then narrated in the remaining chapters and the documents reproduced in the accompanying supplement and microfiche appendices.

Garthwaite's main concern is the period from the mid-nineteenth century, when useful sources begin, to the 1920s, when Reza Shah Pahlavi effectively removed tribal power. During this period the Bakhtiari were the source of much trouble to the government, and were never wholly brought under control. Their chiefly families were constantly split by rivalries, a factor which government was able to exploit. Their influence grew under Husain Quli Khan, who was appointed the first official paramount chief (*ilkhani*). After his assassination in 1882, his successors continued to dispute the leadership and the inheritance of the considerable landed property which he and his brothers had accumulated. With the discovery of oil in their territory, the main contenders for leadership were able to compose their differences and play a deciding role in the restoration of the Constitution in 1909, and they also dominated the government in the period immediately before World War I. Lord Curzon declared them the single most important people in the British Empire. They were hardly the 'Forgotten People' as they were described by Cooper and Schoedsack in their classic documentary film *Grass* (1924); a film whose depiction of the struggle of Bakhtiari nomads against the elements had a cult following among dissident Iranian youth of the 1970s.

Garthwaite gives a fascinating account of how Bakhtiari khans emerged onto the national scene, and how their wealth and intrigues with each other and the British removed them from the ordinary tribespeople and prevented their following so many tribal predecessors in establishing a new dynasty on the throne.

Anthropologically inclined readers will quibble with some elements of the argument. For example, the 'hypothesis' amounts to little more than a summary of the events of Bakhtiari history. Secondly, for information and ideas on pastoral nomad economics and society, the author too readily follows other historians and political scientists in referring to and extrapolating from F Barth's classic study of the Basseri (*Nomads of South Persia*, 1961); more recent studies of other groups in Iran—including the Bakhtiari—have shown nomadic economy and society to be highly variable, and the Basseri to be often exceptional and inappropriate as a model. Further, the summary of 'khans and tribal structure' in Chapter 3 is surprisingly dry and timeless, and seems remote from the dynamic and rapidly changing picture that emerges in the historical narrative. This narrative, moreover, too often slips into lists of functions and attributes; some passages seem compilations of barely sorted notes, for example the intriguing but baffling account of dynastic marriage ties, where some tables and diagrams would have helped considerably. Finally, the conclusions, seeking in Bakhtiari society reasons for

the khans' failure to unite in response to Pahlavi policies, offer a somewhat lame, integrationist analysis of inheritance, marriage and succession practices.

These quibbles do little to detract from the interest and value of an important book.

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Unreal Growth: Critical Studies on Asian Development

Edited by Ngo Manh-Lan

New Delhi: Hindustan Publishing Corporation (two volumes). 898pp. \$48.00

The real Asian drama, in which the vast majority of the peoples of Asia are real-life players, continues to be the struggle to burst out of the shackles of persistent mass poverty. Half-way into the Third United Nations Development Decade, one observes that the governments of the developing countries, forming the majority of the members of the World Bank and the International Monetary Fund (IMF), continue to be directed principally by socio-economic policies based on the view that growth is a sufficient condition for development. When confronted with the dismal record of this growth orientation, the World Bank maintains that what is needed is not the abandonment of the policies, but the intensification of the growth process by re-directing investments from the non-rural sector to the rural sector, so as directly to improve the living conditions of the rural poor. The World Bank holds the view that the major factors which explain persistent poverty are rapid population growth, lack of access to production inputs and the lack of human and physical capital. However, while acknowledging the importance of improving equality in the access to production inputs and in the ownership of capital, the Bank dismisses the question of adjustment in power relations as being 'politically disruptive'.

Given the dominance of the World Bank's approach in the national development policies of the vast majority of Third World countries, it has become of most crucial importance that the operability of that approach in Asia, where three-fourths of the world's one billion people live in absolute poverty, be subjected to scientific scrutiny.

The Asian scholar, Dr Ngo Manh-Lan, has edited a two-volume collection of scientific papers on underdevelopment in Asia, indicating the controlling role of prevailing social structures (ie power structures) in explaining persistent poverty. The papers note that some growth has occurred in the Asian economies during the post-war era, but observes that such growth was distributed in a highly skewed fashion with the rich few benefiting at the expense of the poor masses. In *Unreal Growth: Critical Studies on Asian Development*, Ngo Manh-Lan's purpose is to present a scientific analysis of 'those economic models and policies which have aggravated social inequalities and injustice, and have moved away the country from the goal of self-reliance and national independence, both political and economic.' Ngo Manh-Lan sets out to achieve his purpose by presenting papers covering national and international aspects of underdevelopment in Asia in four main parts: Asia in World Politics and Asia's Industrial Development form the two major areas in volume I; in volume II, one

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finds Asia's Agricultural Development, and the final part dealing with development theories. The collection of papers, resulting from the research conducted by Ngo Manh-Lan at the United Nations Institute of Training and Research (UNITAR), were written by a collective of scholars on Asia and include case studies of fourteen Asian countries. The experiences of Eastern and Western industrialised countries are presented in some of the papers to the extent of their relevance to the scientific understanding of the Asian drama.

In Asia, the World Bank's export-led growth model utilised by Hongkong, Singapore, South Korea and Taiwan is widely considered to be successful and exemplary for underdeveloped countries. The experience of South Korea is typical of the experiences of the so-called Third World 'miracle economies' pursuing policies under the export-growth model. Ngo Manh-Lan has included in *Unreal Growth* a paper on South Korea by Harold Hakwon Sunoo. The findings of Sunoo can be summarised as follows:

- 1) Economic growth in South Korea has been achieved at the expense of agricultural development.*
- 2) South Korea is highly dependent on foreign capital.
- 3) Export-oriented industrialisation in South Korea benefits foreign investors, mainly from the US and Japan, at the expense of local industrial development: local initiatives in entrepreneurship are being stopped.
- 4) South Korea has an extremely high and increasing dependence on foreign loans due largely to the financing of the importation of inputs for export-oriented industrialisation; South Korea's debt is now approximately \$50 billion and most of South Korea's loans are used by top business people who depend considerably on their corrupt relations with state authorities.
- 5) Only 11 per cent of South Korea's workers earn sufficient money to support a family of four persons.

In capturing the essence of the evidence on the operability of South Korea's export-led growth policies, testimony in the US Congress has arrived at the conclusion that 'the absence of full human rights is neither arbitrary, nor coincidental, it is the product of the choice to have an export-oriented economy which leaves internal needs unmet.' (US Congressional Record, 5 April 1978: H2517).

Within the context of social relations in Asian countries pursuing export-led growth policies, the dominant classes use all means within their power (including the increasing use of force) to maintain the prevailing social structures, which are strengthened in a way that runs counter to poverty alleviation.

What then is the way out in the Asian drama? The last part of *Unreal Growth* in volume II provides some thought-provoking analysis in the current process of rethinking the theoretical basis of development strategies. While the strategy of 'selective delinking' is scrutinised in operational terms (Thomas Weisskopf), Professor P C Joshi in his contribution delineates a poverty-alleviating development approach. To

* The latest evidence on the South Korean economy points to the sluggish growth experiences in the economy; see Paul Ensor, 'South Korea: no grounds for optimism' and Anthony Rowley, 'End of Asian economic miracle?' in *Far Eastern Economic Review*, 12 September 1985, pp 114 and 123, respectively. See also, *Far Eastern Economic Review*, 20 September 1985, 'NICs in a twist'.

achieve equity (ie sustained improvement in the livelihood of the masses), there must be growth, but to attempt to achieve growth without equity places growth in danger. Clearly, the solutions, outlined in Ngo Manh-Lan's introduction, are to be found within the context of the very visible struggles of the oppressed classes of Asia to change radically the social structures in their (the oppressed) own interest.

In editing *Unreal Growth* covering such a wide range of topics in depth, Dr Ngo Manh-Lan has made yet another important contribution to the further understanding of mass poverty. All serious scholars will find *Unreal Growth* to be most useful, and organisations engaged in the struggle for poverty alleviation, a vital source of weaponry.

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The Security of South West Asia

Zalmay Khalilzad

Aldershot, England: Gower. 1984. 191pp. £9.95pb

The Iranian Revolution and the Soviet invasion of Afghanistan not only generated apprehensions and sent what an eminent scholar referred to as 'shivers down the spine of the world' but also injected an acute sense of urgency among the Western scholars to analyse and comprehend the rapidly moving events of Southwest Asia. Vast amounts of literature covering the area have been produced during the short span of the last five years. However, the major emphasis, in most of the writings dealing with this region, was on the security aspects; this book is another useful and significant addition to the existing literature on the area.

Khalilzad's book is an especially important contribution in the sense that it draws our attention to endogenous factors of political instability in Southwest Asia. His notion of political stability defined in terms of regime legitimacy, regime effectiveness and the relative strength of the opposition (p 7) is a worthwhile conceptualisation. Deeply rooted in an elite and liberal theory of politics, this conceptualisation helps us to get a good grasp of very diverse political processes under way in the countries of the region. Yet Khalilzad's work fails to address the key dimension of the issue of political change in Southwest Asia. Not much attention has been paid to the bureaucratic-state domination and how state structures in these countries have been sustained either through processes of internal coercion or external collaboration. It is difficult to properly comprehend the dynamics of the conflictual politics of the Southwest Asian countries without coming to grips with and paying well-deserved attention to the key question of state plus class domination, which has been at the centre of most protest movements in these countries. The overthrow of the Shah in Iran, the Communist takeover in Afghanistan, and the rise of the Pakistan People's Party (PPP) in Pakistan reflected a growing alienation of the people of these countries with the injustices of the operative system. Nowhere in his book does Khalilzad show any concern with the mass sentiment which spawned and sustained these protest movements. He frames the entire question of political stability in these countries without dealing with the central political concerns of the people living in them. Despite this major neglect, the book offers a good

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description of the group politics of Southwest Asian countries; it is the first study of this kind and the effort at comparison is commendable. While most of the scholarly literature focuses on external sources of instability, Khalilzad's book departs from this tradition and focuses on micro social processes to explain the dynamics of sweeping changes that have gripped the area. Yet his theoretical view is not broad enough to give us insights into the most important issue of class and state politics in these countries.

Khalilzad concludes the book by listing various difficulties that impede the regional security arrangements and emphasise that the regional security arrangements are highly unlikely. Most analysts would agree with Khalilzad's conclusions provided India, Pakistan, Afghanistan and Iran are lumped together in a region. But most writers tend to regard India and Pakistan as part of the South Asian region and only a few writers and many Pakistanis like to identify Pakistan as part of the Southwest region and not part of South Asia.

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Haiti in Caribbean Context: Ethnicity, Economy and Revolt

David Nicholls

London: Macmillan. 1985. 282pp. £30.00

David Nicholls' *Haiti in Caribbean Context* is a collection of major articles on Haitian history, politics, and sociology. It illustrates the development of Nicholls' thought on Haitian questions over the last fourteen years but suffers from an uneven quality. Some pieces seem to have been included only to make a more comprehensive book. However, Nicholls' discussions of peasant revolt, emigration, and contemporary Haitian politics are substantial. They turn on the question of constituency, Nicholls arguing that agrarian rebels of the nineteenth century, 'boat people' of the twentieth, and the Duvalierist elite have been of small landholder and petit bourgeois origin. He is convincing for the present era, but marshals insufficient evidence to substantiate claims about the class origins of nineteenth-century peasant insurgents.

Haiti in Caribbean Context dwells on the impact of race on Haitian society, but makes no clear distinction between Haitian 'legends' of the past as practical ideologies on the one hand, and race as a structural component of Haitian society on the other. Nicholls is best when he is attentive to the political and historical context, as in the fine studies of Salomon and economic dependence. Yet, he has largely retreated from the perspective of those pieces. He eschews a critique of imperialism, and the view that current Haitian problems are rooted in anything other than Haitian particularism and the occasional abuse of power.

These characteristics betoken a subtle conservatism, but when Nicholls attributes this to the Caribbean masses, he is not exclusively projecting his own views. Traditionalism is indeed real, and the possibility of enlisting it in the service of social transformation does exist. Nicholls looks for such an initiative in a state which will 'encourage and

enable' rather than 'manage'. He does not, however, seem to realise that only a statist decision can make the political decentralisation which he seeks appear. In this instance, a concern for peasant autonomy insufficiently disguises a predisposition against meaningful change.

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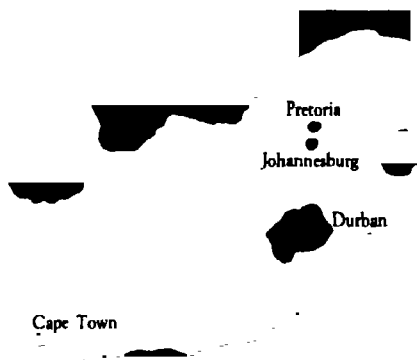
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Democracy and the Pacific Century

The emerging century has already been named after the Pacific, the area of the most dynamic growth in the last decade and of possibly the greatest potential in the future. But the people who have had to live under the shadow of the 'economic miracles' of the Philippines, South Korea and Indonesia are trying to grasp what remains of the twentieth century to ensure that their future is not a continuation of the military-bureaucratic condominium which has consumed every aspect of their lives until now. After the fall of Ferdinand Marcos it seems increasingly likely that 'political miracles' may be what to look for in this region.

The theory beloved of some Western economists is that but for their 'growth-oriented dictatorships', these countries would not have achieved the economic prosperity and industrialisation that they have. However, growing debt burdens, falling oil and commodity prices and increasing protectionism in the North are going to mean lower growth and greater unemployment in these economies. Indonesia's growth rate this year is predicted to be negative as it faces a major economic collapse caused by falling oil prices and a withdrawal of foreign investment. South Korea may have welcomed the failure of the Jenkins Bill in the US Congress which would have severely cut its textile exports, but this may be only a temporary respite because the pressure for protectionist measures has not yet ebbed in the US. Political protests in South Korea, especially those by students and farmers, have deplored the economic subjugation of their country to America.

In an atmosphere of growing economic discontent the system of political succession is being questioned by the South Koreans who have lived under twenty-five years of military rule, and, more cautiously, by the Indonesians who have suffered twenty-one years of the Suharto dictatorship.

As studies in transition from military-authoritarian to civilian-democratic rule, what is distinctive about South Korea and Indonesia is that the ruling party has already established the mechanism of succession to assure the continuity of the military order. President Chun Doo Hwan is committed to holding elections and stepping down in 1988 by the terms of the constitution which he himself promulgated under martial law. But the South Korean opposition, particularly the leading dissident Kim Dae Jung, are certain that indirect elections for the presidency held under that constitution will be manipulated by the

government to assure the success of the ruling Democratic Justice Party and give the opposition New Korea Democratic Party no chance of winning. The focus of the struggle therefore is the campaign for constitutional revision to allow direct elections, rather like the '*diretas ja*' campaign in Brazil in 1984.

President Suharto runs such a confident and efficient dictatorship that Golkar, the state party, has already counted the votes it needs to win the next general election in 1987: 61,391,869. Few doubt that they will be able to meet, if not improve, this target. Unlike the vigorous South Korean opposition, the signs of dissent in Indonesia are limited to the Group of Fifty which sent letters critical of government actions to the People's Consultative Assembly and the White Paper which called for an investigation of the government killings in the Tanjung Priok riot of September 1984. Even these limited protests have resulted in charges of subversion and prison sentences against those associated with them. The absence of organised, effective opposition is a testimony to the ruthlessness with which Suharto has suppressed dissent rather than an indication of political quiescence and contentment. As a measure of his resolve, in 1985 Suharto executed three communists who had been in jail for ten years or more and, in a signal to the restive Muslim movement of which he is deeply suspicious, he executed imprisoned Muslim activists as well.

Before President Reagan set out on his 'winds of freedom' tour of Asia, the Administration had already indicated to Congressmen who were drawing attention to Indonesia's brutal annexation of East Timor and Irian Jaya (West Irian), that human rights issues would not be raised publicly. However, Indonesia's expulsion of the Australian journalists in the presidential entourage immediately as they arrived in Bali provoked the US Secretary of State, George Shultz, to criticise the illiberality of the Suharto regime. But for that incident Shultz would probably have been as fulsome in his praise and support of Suharto as he was for Chun Doo Hwan during his Korean visit.

The support expressed by both US Defence Secretary, Casper Weinberger, and by George Shultz during their Korea trips for Chun Doo Hwan earlier this year, and the fact that Shultz declined to meet the leading opposition personalities, Kim Dae Jung and Kim Young Sam, reinforced the impression among Koreans that the US supported the dictatorial rather than the democratic alternative in their country. The protest movement in South Korea has generated debate about issues which until now had remained above question: the relationship with the

US and whether the nature of those ties and the stationing of US troops and nuclear weapons in Korea is not an obstacle in the way of progress towards reunification with the North and a more comfortable relationship between Korea and her neighbours. The dubious distinction of being a front-line state in Northeast Asia has been a source of funds and support for successive military regimes, but for the Koreans it may be yielding more burden than benefit. That Korea is part of the Pacific, of Asia and of the Third World is that part of their identity which has been denied Koreans by virtue of being a front-line state and little else. The 1988 Seoul Olympics are being compared, in their significance to South Korea, to the 1964 Tokyo Olympics which marked the recognition of Japan as a major economic power. However, the Koreans seem unwilling to allow the realisation of their political rights to wait upon the successful staging of this event, and that consciousness marks the coming of age of the Republic of Korea.

An increasing number of Asian autocrats seem to want to exploit the trappings of representative government by mimicking its institutions. In Pakistan and Bangladesh, as much as in South Korea and Indonesia, they have found that holding elections and having assemblies, within parameters set by the regime, can strengthen their control and power base in society. The electoral process can be managed or simply rigged: the assemblies returned after such elections become another secure constituency for the military, and this caricature of democracy can assuage the US Congress in time to pass the next aid package or arms deal.

Although this mock democracy lacks legitimacy in the eyes of the people, it still makes the struggle of the politicians and the dissidents who remain outside the system more difficult. While the insurgent and the revolutionary reject the system totally, the democrat has to engage in dialogue and protest to force the government to hold clean elections. To compromise with the regime and its rules would bring the risk if not the certainty of succession without change. However, the Philippine precedent shows that if the ruling party steals the elections in a society which is highly mobilised and very supportive of the opposition, the anger at being cheated of victory can release the final energy which will overthrow the regime and bring an about-face from its foreign backers. The South Korean situation is encouraging inasmuch as the more radical element of the dissidents will not allow collaboration between the politicians and the regime and the recognition of their strength seems to be dawning on the military. In Indonesia, however, the

timetable for a genuine succession may be far longer and more bloody and Suharto's *pancasila* ideology may suffocate the archipelago for many years to come. Suharto's own design is to continue at least till the year 2000; by then he hopes the New Order will be able to outlive him.

Alan García Pérez

Dr Alan García Pérez is Constitutional President of the Republic of Peru.

Born in Lima on 23 May 1949, he was educated at the Catholic University of Lima, receiving his law degree from the San Marcos National University. He continued his studies in Europe at the Complutense University of Madrid where he gained his Doctorate of Law, and at the Sorbonne and the Institute of Higher Latin American Studies in Paris. On his return to Peru, he took up a university teaching post while also acting as the National Organisation Secretary of the Alianza Popular Revolucionaria Americana (APRA) party. He was elected to the Constituent Assembly in 1978, and thence to Parliament in 1980, before being appointed Secretary-General of APRA two years later. On 14 April 1985 he successfully contested the presidential election to become, at thirty-six, the Republic's youngest president. Alan García's inaugural address on 28 July 1985 included the announcement that his administration would limit the service payments on Peru's \$14bn foreign debt to no more than ten per cent of the country's total export revenue over the following year.

Alan García is the author of El Futuro Diferente, La Tarea Histórica del APRA (A Different Future, APRA's Historical Task).

Altaf Gauhar interviewed Alan García in Lima in June 1986.

AG: *Mr President, the Third World has three young leaders at present, Rajiv Gandhi in India, Robert Mugabe in Zimbabwe, and Alan García in Peru. Rajiv Gandhi is the current Chairman of the Non-Aligned Movement, Robert Mugabe will take over as Chairman next August and there is some speculation in the press that Peru might be chosen to assume the Chairmanship of the Non-Aligned Movement after Zimbabwe.*

GARCÍA: *Thank you.*

AG: *I have come in the hope that I can learn something from you about your experiences in office. You were elected on a popular mandate and you have questioned the international economic system; you have taken up a radical position on external debt; and you have challenged the arms bazaar and the drugs mafia. How would you assess your first year in office?*

GARCÍA: *There are two aspects of my programme: the economic aspect and the political aspect. As regards the first, our objective is to*

stabilise the economic situation in the country before introducing fundamental structural changes in the system. We have been able to bring down the interest rate. There has been an increase in the purchasing power of the consumer. Our effort is to activate and regenerate our industrial capacity without inflating prices. The high level of inflation in Peru was due partly to low industrial production and partly to the financial costs arising from the distortions within the financial system. The level of inflation has been brought down to a third of what it was last year and we have achieved a 5 per cent rate of growth in the last eleven months. The state has intervened directly to promote the creation of jobs to strengthen demand and galvanise the economy. The economic depression looked like raising the rate of inflation to 300 per cent in Peru. Now it is down to 60-70 per cent and we are on the way to reducing it further. We were worried about inflation, not only because its consequences are widespread and inequitable but also because there has never been a social revolution accompanied by a spiral of inflation. These are considerable achievements. But they will remain fragile and ephemeral if they do not lead to a fundamental restructuring of the economy. Without that the re-activation of the economy will not add to the wealth of the people. Today wealth in Peru is distributed irrationally. We have powerful monopoly groups and a dominant financial elite in stark contrast to mass poverty which is a dramatic and poignant illustration of unequal distribution of wealth. We could not have attempted to change this before bringing inflation under control.

The first year was devoted to stabilising the economic index. The second year will see the beginning of the process of the economy and society. We began with the root problem in the financial sphere and we must now take fundamental economic reforms. We understand that, apart from the domestic distortions of our economy, there is the question of repayment of external debt. I see that as the greatest limitation. We have taken a firm stand on this as you know. That is the economic balance-sheet today.

As regard the political aspect, there is the credit side and the debit side. On the credit side is the trust which the people have regained in the government. They know that they have a

government that works. It is in control of the economy and it is prepared to take political decisions to maintain order in the country. Even the events which occurred in the prisons in the last few days have a positive side. People know that their government will defend democracy whatever the cost.

But there is the debit side. We face a subversive terrorist movement which is very widespread in the country and which has lost respect for the state and society. We attempted this year to negotiate with them and we made certain concessions. As a result, the judicial authorities released half the prisoners. All this was intended as a gesture of goodwill. And what was the response to this gesture? They murdered 140 policemen and more than 1000 civilians, including government officials. They believed that our gesture of goodwill was evidence of the weakness of government.

The prisoners rioted four times. We sent officials from the Ministry of Justice and we made concessions. It was a mistake. One of the concessions we made was to give them building materials and cement to construct dormitories and sport areas. They used these to make a stronghold to fight off any attack. They declared that nobody would take them out of jail, not even for judicial trial, which they spurned as a 'bourgeois trial'. They would not even agree to move to a new, very modern jail that the government has built. It was after all this that we had to take the drastic decision—to deploy the instruments of the state, within the requirements of law, to impose order. Those who violate the law will be punished. The state is guilty of 200 deaths. I *am* sorry that forty, fifty or sixty people were shot as a result of the indiscretion of the troops. It was one thing to restore order and to bring the prison population to surrender but shooting some of the prisoners after they had surrendered was intolerable. You must have heard my message to the people broadcast two days ago. I said that order has to be established through the law, and, if necessary, the use of force. The law is humane, it envisages persuasion and if that fails, the use of weapons up to a point. If it becomes unavoidable the whole range of legitimate weapons can be used. But law recognises its own limits. That's what I said in my message. I am sure that the majority of the people agree with me. There are only about two thousand people who entertain ideas of

absolute intolerance. For the last ten years they have recognised no law and have been doing whatever they wanted. That is over now. But I am determined to maintain order within the law. I am a President elected by the people who relies on the law. I am going to end this type of extremist intolerance, but not in order to protect the wealth of the rich in Peru. When I had acted forcefully, people from the middle-class telephoned me to congratulate me. They thought that I was defending society from communist extremism in order to safeguard their wealth. You can be sure that they are in for a big surprise.

AG: *I believe there was a demand from some senior members of the Socialist International that you should set up an international commission of inquiry and not rely entirely on Peruvian procedures of investigation, but you refused to agree to the demand.*

GARCÍA: I don't like imperialism in any sphere.

AG: *I have heard some people say that Alan García came to power on a programme of humanity, Christianity and democracy, but he is relying on the military to eliminate the Sendero Luminoso. The army and the navy were unhappy because some of their officers had been killed and once you gave them the order to put down the riots in the prisons they proceeded to liquidate the rebellion. Is it possible that because of the Socialist International Congress and world attention you over-reacted?*

GARCÍA: No. I could be accused of over-reaction if I had given the orders without recourse to negotiations and concessions. Today, if it were to happen again, I would do it again. I *will* do it again because I have the law in my hands and the law must not be allowed to be weakened or violated. On that there should be no misunderstanding.

The military are used to the idea that democracy means weakness. They think that transition to democracy only promotes disorder leading eventually to fascism. My message to the military is that we know how to be strong in democracy and that we don't need them.

AG: *You say there are only two thousand people who are causing all the trouble. In your inaugural speech of 28 July last year, you said that 'there is a minority that attributes to itself a sense of history'. That could not refer to a couple of thousand misguided people.*

GARCÍA: Let me clarify. Peru has 20 million inhabitants and the 2000 people who sympathise with this movement, which has only 100 or 200 activists, are a very small minority compared to the overall population.

AG: *Do you feel you have licked the problem or will it intensify?*

GARCÍA: A situation of criminality will continue. This will not be aggravated by the action taken to curb the situation in the prisons. They calculate that there will be a long war in which the democratic system will be worn down.

AG: *Is this problem taking up a lot of your time and energy?*

GARCÍA: It is. Confronting intolerance is the greatest problem.

AG: *How do you propose to disentangle yourself from this?*

GARCÍA: I cannot disentangle myself from this problem. It is a reality. A lone person can blow up a train as happened yesterday, or a plane, but here there are one or two hundred of them. We have to assume and be prepared that they will go on doing what they have been doing for the last year.

AG: *The world has got the impression that human rights have been seriously violated. This was also suggested by the Peruvian novelist Mario Vargas Llosa.*

GARCÍA: Did you see Vargas Llosa on television last night?

AG: *I did.*

GARCÍA: He has completely reversed his position. The world has to understand the true nature of the problem.

AG: *Mr President, when you came to office you said the international financial system is sustained by growing arms expenditure and accumulating external debt. And when you said you will pay no more than 10 per cent of export earnings toward debt-servicing you were warmly applauded by the people in Peru and in other indebted countries. Have you had much support for your position at the level of governments in Latin America?*

GARCÍA: Many people have given us moral support which is very important. Many countries have shown sympathy towards Peru. But sympathy is not a convertible asset and it is not enough to change the situation. It will be a long time before we are able to work together. Almost all of the governments of the Third World are clearly aware of the problem. But we are held back by a reverential fear of the past. In the future there will be more decisiveness. In the meantime I am not going to sit and wait for the future. Peru will have to attend to its own affairs.

without waiting. If they are going to introduce sanctions against Peru, financially, economically or commercially, we will face the situation. It will prove that it is possible for nations to take independent decisions in their own interests and that in the future we must work together.

AG: *Do you sometimes get a feeling of being isolated?*

GARCÍA: Isolated? No, I don't feel isolated. Morally we are not alone. But, on a more mundane level, at the level of dealing with the IMF and the banks, we are isolated.

AG: *Many Presidents and Prime Ministers in the Third World were very happy when you said no more than 10 per cent of exports for debt-servicing but they were more happy that they didn't have to say it.*

GARCÍA: I know, I understand.

AG: *You suggest that Third World governments are all aware of the problem. Why is it that so many of them adopt a supine attitude when it comes to dealing with the IMF?*

GARCÍA: I cannot comment on the conduct of other governments. Everyone has a specific situation. Each leader has to contend with domestic public opinion, and decide how best to deal with their problems.

AG: *Do you think, Mr President, you might still get a debtors' alliance?*

GARCÍA: Not for the moment. Maybe later.

AG: *So on the 15 August when the IMF asks you to pay \$190 million to them, what will be your reply?*

GARCÍA: God alone knows. But we will cross that bridge when we come to it.

AG: *On the question of arms expenditure are you likely to persuade other governments in Latin America to agree to a policy of substantial arms reductions?*

GARCÍA: There are many signs and expressions of goodwill. But so far as we are concerned we have taken specific measures to cut down military expenditure. We did not tell our neighbours that we would stop buying planes if they agreed not to buy any more planes. That would have been childish. We just decided not to buy more planes. Period. That gave us a better moral position.

When we came to power, Peru had to pay more than a thousand million dollars for planes, ships and arms. We said: 'How are we going to tell the banks we can't pay them if we go

on buying arms?' We had discussions for a whole year with a French bank and a French company to reduce the size of the order. And we were able to reduce it from twenty-six planes to twelve planes. We bought twelve planes in order not to forfeit the \$150 million which the previous government had already provided.

AG: *Mr President, what will you do with these twelve planes?*

GARCÍA: The air force will know what to do with them. Do you want to buy them?

AG: *I asked this question because so many countries go on buying planes without ever flying them in combat. They never fight wars, except in the Security Council. Why don't we solve our border disputes instead of piling up arms?*

GARCÍA: Because the world is stupid.

AG: *How do you propose to convert the world?*

GARCÍA: Today, it is almost impossible to invade another country. The country which is invaded admittedly comes under great stress. But the invading country has even more problems, economic and diplomatic. I think there is a very remote possibility that a war of invasion between any of the Latin American countries could ever take place. But as nations we cannot completely rule out the possibility of external conflict. Perhaps a dictatorship might, in a moment of madness, decide to invade Peru. Old historical problems might suddenly trigger off a conflict. Personally, I prefer the idea of a nation defending itself through its citizens; a Territorial Army organised by the people themselves would be much cheaper than buying planes. A plane costs \$34 million. Luckily our twelve planes cost us only \$20 million apiece because they were bought five years ago. A ship with missiles costs \$300 million. It is crazy. I was not elected to provide lucrative business to arms merchants. They offer huge commissions. I think there should be an international inquiry to see who gets the commissions and how much. It makes me laugh when a salesman comes and tells me: 'Chile bought this type of weapon from us, we can sell you this other type which is more effective.' I am appalled and I put them on the first plane out of the country. The arms industry is one of the most potent instruments of modern capitalism.

AG: *Mr President, some sixty-eight countries in the Third World are under military dictatorship of one kind or another. In Latin*

America there has been a powerful return to democratic rule, barring the pariahs, Chile and Paraguay. You have been in the forefront of this democratic transition. How do you see the forces of democracy getting strengthened in this region?

GARCÍA: Democracy would be stronger if it were a continental democracy. Democracy is not a one-country venture; the whole continent must unite to deal with the problem of imperialism. And so long as there is no economic integration in the continent democracies will remain weak. I hope that in this democratic current which is sweeping across the continent, the two countries you mention will also overcome dictatorship.

AG: *You talked of economic integration. The Third World had an opportunity of creating institutions of economic cooperation when they had the oil revenues. Yet all the oil exporting countries did was to hand over their 'surplus funds' to American and European banks and those funds are now our debt burden. Why have Third World leaders failed to create alliances, any institutions to bring about fundamental changes in the prevailing world order?*

GARCÍA: The increase in oil prices added to the wealth of some groups in some countries. It was an accident which created an illusion of power for a few people. That does not mean that those who had the power were aware of it. The integration of the Third World will come about through a revolutionary process. The rich never start a revolution. OPEC is a good example of how sudden wealth only creates a fantasy world for the beneficiaries. But that fantasy world crumbles whenever the capitalist system of the world knocks it on the head.

AG: *But then does the Third World have any leverage against the capitalist system?*

GARCÍA: Its power lies in unity and I am not talking of a general world-wide union of the Third World, but rather of the financing of smaller groups as in the case of Latin America. Without solid integration, no nation will be able to get away from the IMF or from the world market, or from imperialism. The only other way is to be always knocking on the door of the other world power as a supplicant. Peru proposed to become independent of imperialism without having to knock on anybody else's door. That's our aim. It would be easy to say: 'Let's finish with the IMF. Let's throw out the foreign

companies, and then we'll ask the Soviet Union to help us with technology and money'. But that would be a betrayal of the people of Latin America. In any case I don't think the Soviet Union has the resources to help us at the moment.

AG: *Do you think you might get up one fine morning and say, 'I am fed up with this external debt and I, Alan García, will not pay.'*

GARCÍA: No, because I am not immoral. He who borrows must repay. The debt was incurred on behalf of the country. Of course, the rich people of Peru have taken it all out in dollars, but that is our domestic problem. We recognise our debt, we protest against the conditions under which we are called upon to service it now, but the moral principle is that we are responsible for the repayment of our loans. The state of the weather will not affect our responsibility.

AG: *Where does morality come into this? Christianity rejected usury a long time ago, and the current form of interest charges is usury in its most compounded form.*

GARCÍA: Except that many of the lenders are good Christians now. It is a problem for Christianity. Let the Vatican decide.

AG: *How do you see the failure of Third World organisations, like the Non-Aligned Movement?*

GARCÍA: You cannot call it failure. The process of social change is much slower than changes in the life of an individual. I trust that there will emerge a nucleus of people who will address the historical imperatives of change. This will create a universal awareness of how to live together without economic sanctions. If not, the world will be heading for disaster.

AG: *In the meantime, the world has become a bi-polar world. There are only two nuclear powers, and the rest are only an anonymous collection of 'other nations'. The superpowers have imposed a kind of nuclear apartheid on all of us.*

GARCÍA: And economic apartheid.

AG: *Can the Third World exercise any pressure on these two giants?*

GARCÍA: By making decisions. In the UN there have been many discussions and conferences among Heads of State in order to reach agreements. While they wait to agree on something, nobody acts on his own. Peru does not wait for anybody else to act. When we decided not to pay more than 10 per cent of exports towards debt-servicing, I acted without waiting for

the others. Let the other governments reach their own conclusions, but in the meantime someone has to start.

AG: *In your first year what has been your greatest frustration and your greatest happiness?*

GARCÍA: My greatest frustration has been the cost of human life in the conflict between intolerance and the need for democracy to maintain peace and order. My greatest happiness is to have laid down the conditions to meet the threat of economic apartheid. Not only have we laid down the conditions, we propose to abide by them.

AG: *Are you worried that your authority as a democratic leader may have been impaired by the recent events in Lima?*

GARCÍA: Let us wait a few more years to see. I trust that gradually world opinion will understand the real position. If world opinion is going to be determined by newspaper headlines then I would be disappointed. And if, because of those headlines, people who sympathised with Peru stop having any feeling of sympathy for Peru, then I would conclude that they never had any sympathy—only curiosity.

Neil Kinnock

Neil Kinnock is the Leader of the British Labour Party.

He was born in Tredegar, Wales, on 28 March 1942 and educated at University College, Cardiff, where he gained a Diploma in Education, in addition to his BA in Industrial Relations and History. He joined the Labour Party at the age of fifteen and was Member of Parliament for Bedwellty from 1970 to 1983, since when he has been MP for Islwyn. Elected to the Labour Party National Executive in 1978, he was opposition spokesman on education from 1979 until his election as Party Leader by the Labour Party Annual Conference in October 1983.

Neil Kinnock has been an active and long-standing member of the Anti-Apartheid Movement, which he joined in 1960, and of the Campaign for Nuclear Disarmament (CND). He has also been active in the Socialist International, and since the beginning of 1985 alone has travelled to Ethiopia, India, Kenya, Mexico, Nicaragua and Tanzania. In assuming the Party Leadership, he undertook to make international and development issues central to the agenda of the Labour Party.

His publications include Wales and the Common Market (co-author) (1972); Facts to Beat Fantasies (1978); and Why Vote Labour? (1979).

Altaf Gauhar interviewed Neil Kinnock in London in June 1986.

AG: *You have just returned from India; to use Nye Bevan's phrase, did you see the twilight behind the urban illumination? Did you get to see the starving areas not too far away from the glittering capital? Did you see hunger—to use another Nye Bevan phrase—in head-on collision with feudalism?*

KINNOCK: *The contrasts of India hit you like a sledgehammer in the face; although I've seen poverty and all the evidences of underdevelopment in other parts of the world, I think it was the stark contrast between considerable affluence and the most dire poverty which both fascinated and depressed me about India. There are many many diversities in India—geographical, cultural, linguistic—and also there is the caste system which everybody is aware of. However, the greatest divisions that bore in upon me were (i) a very small number of extremely rich; (ii) a larger number, probably no more than a*

hundred million, who are doing quite well and are part of a developing nation; and (iii) a vast majority, some five or six hundred million who are clinging on to the margins of existence. I could pick out many instances but I mention just one. Everyone has heard of the pavement dwellers in Bombay and have seen their photographs and read about them. Yet, I don't believe one really understands what the term 'pavement dweller' actually means until you see at quarter past eleven at night, (especially when it is from the back of a comfortable American sedan car such as picked me up from the airport) the streets carpeted by bodies. It fills you with a sense of hopelessness at the size of the task. Then, the next morning you see people from voluntary groups and visit people who are residents themselves and who are tackling the problem from the sharpest end and actually overcoming it. Then, one gets a surge of hope based on the realisation that people are doing their damndest to deal with the problem; not just to contain it, but to actually get out of it, to break the cycle of deprivation. So, all the time there is this constant movement of responses between something near despair and something near inspiration. It's a mixture of that all the time. I think that that kind of consciousness exists amongst several people now in the Indian Government and I don't see it just as a public relations exercise. They are prepared to draw attention to it, to expose it and to set out the agenda for dealing with it. That applies not only at the Union level, but it applies at State level too. I think we should ally ourselves as far as is physically possible with such people at every level. From the people working in the community, development workers, people in the government right up to the top (both politicians and administrators) who actually want to follow a direct course for the promotion of development and the defeat of misery that afflicts the developing world. And I'm certain that with that combination of energy and resources, such a victory is possible.

AG: *Do I understand that you were very impressed by the fact that there were groups of social workers trying to tackle the problem? That you also noticed there were people inside the government who were trying to eradicate poverty? Do you really think that is enough to alter the social and economic*

and Rwanda (the Tutsi fleeing from the Hutu). Situations of general strife that produced refugees—Zaire (then the Congo) after independence, the Nigerian civil war, the fighting in Angola and Mozambique—also had their tribal dimensions, if not roots.

South Africa is a case apart. The 'influx control' or 'pass' laws control the internal movement of blacks to a degree unparalleled almost anywhere else; there have also been many forced transfers of population within the country and a substantial number of refugees. Regarding foreign travel, South African courts ruled in 1982 that access to a passport is a privilege rather than a right for both blacks and whites, and that the Minister of Internal Affairs can revoke any passport without giving cause and with no appeal. The exit of blacks is further limited by the requirement that those assigned to a 'homeland' use the homeland passport, which is not recognised anywhere else in the world and which many blacks refuse to use since it implies they are no longer South African citizens.

The African states that have adopted exit restrictions to stem the brain drain have not been engaged in ambitious programmes of restructuring and assimilation, and the refugees they have produced seem to be primarily explicable on the basis of tribal rivalries. Though this is admittedly related to nation-building, the element of coercion in the production of these refugees is much less clear. It should also be noted that the African performance in responding to refugees is better than that of any other area; the OAU definition of refugees is more inclusive than the standard UN definition, and the African record on granting asylum has by and large been very good.⁵²

As a historic area of immigration, Latin America has a strong tradition of free international movement. Since 1973, all but two Latin American states guaranteed the right to leave in their constitutions. In practice, there were a few limitations that went beyond those permitted by the Universal Declaration of Human Rights: clearances for exit permits, including sometimes a 'certificate of good behaviour', might be required, and a married woman might need her husband's consent.⁵³

A few states constituted general exceptions to this rule. Cuba's policy has varied, in accordance with internal considerations and the state of US-Cuban relations. Before the Grenada intervention in October 1983, the radical regime on that island made it difficult for some (especially political opponents) to leave the country. Nicaragua, under

⁵² Holborn, *op. cit.*, pp 182, 825-6; interview with UN refugee officials

⁵³ Jesus Rodriguez y Rodriguez, 'Amerique Latine', in Vasak and Luskotsky, *op. cit.*, pp 207-29

experience then there is a danger of skimming the surface. The other thing is that it isn't just money which is needed. Frequently and very obviously it is expertise of various kind, or commitment to particular forms of training. Effectively that means you could turn someone who has experience of an urban requirement or of a land problem into someone who has the technical competence and equipment to deal with these problems. And it is true throughout the developing areas of the world that the best way of progressing is to ensure a partnership between experience and expertise based on technical know-how: the trick is to match the two, preferably in the same person or in the same group of persons. That is where the possibilities of real development lie.

AG: *Do you see the United Kingdom playing a significant role in development? You have consistently criticised the present Government for 'de-internationalising', for walking out of UNESCO, for ignoring the ILO Conventions, for treating the UN as a 'talking shop', and for virtually silencing the North-South dialogue. As Prime Minister yourself, how would you make this country play an effective international role?*

KINNOCK: For the last twenty-five years, I have been arguing for the definition and pursuit of a distinctive role for Britain in world affairs. This becomes even more necessary under the present government than under previous Tory governments. Two generations ago, the kind of people who ran the British Government knew exactly where they were. They were the government at the head of an Empire and all the internal relationships were neat and orderly and all the superiorities and inferiorities were fixed. When those times changed, their successors weren't really very sure about where Britain stood. Some of them out of decent sentiment retained their commitment as genuine supporters of our international relationships with the Commonwealth; they also understood the realities of political and cultural relationships with the United States of America. And eventually they came to comprehend the linkage that we have with the remainder of Europe, though I don't think they have really started to think of themselves as 'Europeans' yet. Not that kind of people. There was, however, still a sort of limbo and into the limbo

moved Mrs Thatcher and her attitude which, in practice, now becomes manifested as fifty-first American State status. We are so closely dovetailed into the policies of a particular American administration, that in so many situations our necessary independence, and I'm not talking in any nationalistic way, has been given away. We have to find a different course and the argument I have been putting forward for a quarter of a century is that we should, first of all, have a realistic reappraisal of our size, our potential, our influence. One which doesn't understate any of these, but doesn't exaggerate them either. The truth is that we are a medium-sized economy among a small group of rich countries. We have had our fair share of incompetencies but we have more than a fair share of justice, and that is valued by the British people. We have a language which enables us to communicate with a large part of the world. And because of our geographical location and our political traditions and our political hopes, we are both related to the US and part of the European continent.

Now these are the realities. There is no need for undue pride in all this, but equally we don't need to build our relationships on deference. In other words we should act like 'grown-ups'. That entails evolving a foreign policy strategy based on four elements:

- first, trade: we have to earn a living, and nothing can remove that necessity.
- Secondly: cooperation and development; there is a moral obligation here and there is a material advantage in it also, but primarily I treat it as a moral obligation.
- Third: human rights; they are probably now more endangered and more easily subordinated in many ways than they have been at any time in the past simply because of the efficiency of weaponry and the ruthlessness of governments. Unless and until there are individual nations and groups of nations systematically working for the advancement of human rights they will be in constant jeopardy. I also believe that we safeguard our own liberties by adding to them, and one of the ways we add to them, of course, is to ensure that more people enjoy them. So that does mean having clearly defined

attitudes towards the sale of arms and towards trading relationships, that are at least in part and in some cases, wholly dependent, on civil rights attitudes and in some cases, human rights attitudes of particular governments.

- Fourth: the pursuit of disarmament and the resolution of conflicts by non-violent means. These are realistic goals which become more attainable as more countries engage in their pursuit.

Now the justification for all this is in part political and intellectual, but it is also highly practical. The world is a powder-keg and unless we address our foreign policy on these systematic lines and ensure that there is a relationship between the pursuit of all of these elements of policy we could be adding to world tension simply through our inactivity. That is the way I approach the problem and my colleagues are in very substantial agreement with that. It doesn't mean breaching current alliances; it doesn't mean pretending we are an island secure unto ourselves because patently we are not, but it does mean developing policies that are born of our time and for our time instead of chasing vapid delusions of what we used to be a very long time ago or what an element of our society used to be a long time ago. The other alternative is to let other people construct our foreign relationships for us. That I don't think we should allow.

AG: *Do you think the Reagan Administration would allow you as Prime Minister to move in that direction? You know what they think of your defence and foreign policies?*

KINNOCK: Yes. I think that the very fact of national sovereignty and that an increasing number of people in Europe share my attitudes, though not necessarily my politics, are factors which the Reagan Administration has to take into account. There is a major and possibly deliberate, though I am not entirely convinced of that, failure of understanding. And I don't offer that as a sort of balm. Amongst some parts of the American Administration there is a tendency to interpret criticism as ingratitude, but the more intelligent members who are better informed about European attitudes and attitudes in the rest of the world, understand that Europe is a continent mainly of mature and stable democracies where we value individual liberty, where totalitarianism is resisted by every means,

where millions of people have died in that cause and where the struggle for universal rights, civil rights or consumers' rights are not seen as movement towards totalitarianism. Many people in the American Administration understand that, and it is on that basis that we say there is no threat to the alliance, but there is a need for a modern definition of exactly where we stand in relation to everybody else and we will pursue that course. I don't expect there to be dancing in the streets of Washington at any of my views, but I have put them to the Americans and a lot of them do understand that a relationship based upon deference towards the US is a very unhealthy relationship. Ultimately, as with all such relationships, it results in contempt by those who are superior and resentment by those who are said to be inferior in the relationship. Harmony doesn't lie that way. Ultimately, conflict and disengagement comes out of that. A deferential relationship doesn't help at all; it is much better to have a candid friendship.

AG: *Take your position on disarmament. How can you possibly reconcile it with that of the present US Administration? The Americans hope that once you are in power they will be able to educate you and they rely on the whole history of Labour governments. Past Labour manifestos have not been particularly reliable guides to the practice of Labour governments. In 1951, Winston Churchill found a British atom bomb project moving towards its first test. The Labour government which gave way to Edward Heath in 1970 had a completed Polaris fleet and an active research effort, and before Mrs Thatcher came to office Labour had built the new Chevaline Warhead for the Polaris missiles, despite its excessive costs, and the groundwork for buying Trident had been completed. It was James Callaghan who more than doubled the number of long-range US F111 aircraft based in Britain. Plans were under way to bring cruise missiles. Do you, as the next Labour Prime Minister, seriously think you could tell the Americans to 'get the hell out'?*

KINNOCK: I'm not considering asking the Americans to 'get the hell out' of this country. We will be elected on the basis of our intention that we want to clear American bases in Britain of their nuclear weapons. Now for Britain to become a non-

nuclear weapon country is not to be the exception to the rule. There are other members of NATO who have never accommodated nuclear weapons and are not going to accommodate nuclear weapons. So we are not special in that respect; the thing that makes us special is that we currently do have a nuclear weapons system which is obsolescent, which is to be replaced at crippling cost to our defences by another nuclear weapons system. And we are going to stop that. We will fulfil our commitment to NATO and we will defend our own country effectively.

AG: *What if the Americans were to respond by withdrawing from NATO?*

KINNOCK: That would be cutting off noses to spite faces on a gigantic scale and I don't think that the American Administration is so lacking in maturity or strategic sense as to do that. Let me also say that suggestions of total withdrawal or detachment from NATO have come from commentators, but never from the Administration or any part of it. These policies I outline can only be pursued by a government elected by the British people. We understand that very well. We find there is increasing endorsement of our view in a variety of circumstances. One of the circumstances is the clarity with which we set out our policy and the way in which we are going to pursue it; that has both reassured the people and won support among them. Secondly, of course, there is the conjunction of the bombing in Libya by F111s launched from Britain which has concerned a great majority of British people about the nature of our relationship not with NATO but with the US. Thirdly, there was the tragedy of the explosion and emission from Chernobyl which has raised the level of public comprehension about the volatile and utterly uncontrollable nature of radioactive fall-out. This has made people think very deeply about what the implications would be of even a single nuclear explosion of a weapon anywhere between the Atlantic and the Urals. All these things coming together mean that people are realising that our foreign policy is much too important to be left to another country.

AG: *When you met the Soviet leader, Constantine Chernenko, in 1984 and the missile-for-missile deal was mentioned, American commentators found it unacceptable that a member*

of the Alliance should try to pull off a bilateral deal with the Soviet Union. The same idea has now been revived by Mr Gorbachev. Do you see the possibility of a bilateral arrangement on missiles between the Soviet Union and Britain?

INNOCK: Let me first say that neither Britain nor France has ever been to anyone's top conference table, certainly not within the last twenty-five years. What happened in Geneva a few months ago, and what is happening now in the exchange of messages, is the furthest extent to which bilateral relationships has reached. Now so far as our policy is concerned, Mr Chernenko made an offer back in 1984 for a missile-for-missile-deal. My response was that it was a step in the right direction but it needed a lot of further consideration. In the intervening period, I've put the idea forward in several places, such as the Socialist International conferences, that it would be sensible to have an arrangement of comparable missile-for-missile reductions, or equivalent reductions. Mr Gorbachev told a visiting all-party British Parliamentary Delegation in Moscow last week that he would make that offer to any British government. That is much the best way to approach the subject because we can't negotiate, we wouldn't seek to negotiate, whilst we were in Opposition. So I believe that there is a possibility of progress there, either as part of a continuing reduction of nuclear arms—which I hope will have started by the time we get into office—or as an inaugural step in that reduction, and a demonstration that a reduction in armaments is feasible, and doesn't result in advantage being taken by either side, for I don't think that will be possible. I'm sure even the Americans don't believe that any such arrangement will allow one side to take advantage of the other.

AG: *Turning to the current situation in South Africa. What is your position on sanctions? The Commonwealth Eminent Persons Group is too frightened of Mrs Thatcher to utter the word 'sanctions'. So are some of her partners in Europe. The blacks and the black states are asking for sanctions. In Harare, I asked Robert Mugabe: 'You will be hurt deeply through sanctions, why do you support comprehensive mandatory sanctions?' He said: 'For the simple reason that if it hurts the*

enemy I can mobilise my people. Driblets only hurt my people. They don't bother Pretoria.' It is absurd to argue that sanctions don't work, because they do. It is rather hypocritical to oppose sanctions out of sheer compassion for the blacks.

KINNOCK: It has never been a convincing argument.

AG: *How do you see the situation resolving itself?*

KINNOCK: I don't think this has ever been a convincing argument except when it comes from those few people who have a courageous record, who have stood up for the destruction of state racialism in South Africa; they genuinely have a right to the view that they cannot easily anticipate or tolerate the economic impact of sanctions. I don't agree with them, but I understand their position. That is not the position of so many people now preaching that we can't impose sanctions out of concern for black people. I've always held the view, and I've been involved in anti-apartheid activity now for twenty-six years or so, that it is really something of a choice between two evils. You either impose sanctions effectively and secure the abolition of apartheid and the great poison that goes with it—a poison that runs right throughout not just South Africa but Southern Africa—or you don't impose sanctions and the consequence is that the South African apartheid regime, in order to sustain itself, must impose increasing repression internally and increasing aggression externally. I wouldn't claim the gift of second sight; I think this has been obvious for nearly three decades. We don't have to look in a crystal ball now, as Bevan said, you can see it on a television screen any day of the week. And the place is boiling and it is boiling over. The choice is of pursuing a course of action that will conceivably inflict harm in the short term, or avoiding that course of action and having total chaos and bloodshed on an unimaginable scale in the medium term. We are not even considering the long-term implications. Consequently, a front-line state leader now says 'Look, these are the choices: that we either put up with the pressures that will come for a relatively limited period to pursue this objective, or we just sit and wait for the holocaust.' Nowadays, no one should need to be convinced that that is happening. This isn't science fiction, it is happening every day now. If people aren't impelled by their revulsion against apartheid, they should be

compelled on the grounds of practicality to understand that the Botha regime and any likely alternatives to that regime will only be influenced and impressed by the isolation of South Africa in any sphere. They never respond to bridge-building or accommodation or procedures for dilution.

At this moment, as we speak now, Botha is using his puppet Parliament to get an endorsement for draconian laws to prevent the exercise of civil rights. We had all been warned that this would be the use to which this so-called softening of apartheid would be put. That's in the nature of the regime. We've said over the years and say even more insistently now, the possibility of a non-violent resolution to the conflict is increasingly remote, and it is only sustained by the possibility of sanctions. That is tragically more true now than it has ever been before.

AG: *How can the South African government be made to change its ways?*

KINNOCK: It will be compelled by the practicalities of the situation. Some of the South African businessmen who met Oliver Tambo in Lusaka were there because they may have been impelled by moral decency, but what actually moved them from their offices in Cape Town, Pretoria and Johannesburg, to sit down around the table in Lusaka were the realities of the situation; a situation which can produce utter economic breakdown and a civil war on a vast scale, lasting for who knows how long. They don't want to live in those conditions; they don't want to bring their children up in those conditions. That is why they went there.

AG: *As Prime Minister, you would have no hesitation in imposing comprehensive mandatory sanctions from Day 1?*

KINNOCK: No, that will have to be done. I hope that by that stage it will be a strengthening of sanctions that already exist. Now, if I can use your words about the CEPG being afraid of Mrs Thatcher. This is the counter-productive nature of Mrs Thatcher's style. For five years or so in the European Economic Community, Mrs Thatcher used to come in, preach a sermon, throw a tantrum and eventually come out with something that could be described as 'Maggie's triumph' in newspaper headlines in Britain. If you examine the small print it was rarely true. Nevertheless in PR terms it was

effective. That is, until June 1985 when the EEC had a summit in Rome and they said 'We've heard this long enough, we're not going to budge and that's it.' Two of the people who were there I've subsequently spoken to, and one of them said he had no inhibitions about it being reported outside or being attributed to him; others I have also spoken to said that they just couldn't take it any more—Mrs Thatcher's attitude was getting ridiculous.

Now I think that something of that attitude exists in the Commonwealth now and it exists because when they met at Nassau, they haggled into the night; people from the black Commonwealth, people from the white Commonwealth, people from the developing areas of the Commonwealth, people from the developed Commonwealth. They had a common objective and eventually they came to an agreement that they understood Mrs Thatcher reluctantly accepted; that was to establish the Eminent Persons Group to take action if the EPG did not see satisfactory signs of improvement in the South African situation. Mrs Thatcher agreed to that and now the irritation arises: she was prepared to accept the EPG as long as it didn't go anywhere. But, of course, she was party to the whole agreement and not bits of it. We are now at the point where I'm sure, in the most felicitous way, the EPG will let her know straight down the line, that 'Up with this, they will not put.' There is no refuge here for a Prime Minister who last year endorsed an attitude towards South Africa and agreed to a set of policies to be pursued and now says that she did not really mean it. People don't like British Prime Ministers dealing like that; they don't think it's commendable and they don't think that it's worthy of Britain—and they are right.

AG: *Is there a role for Britain in the Middle East? Mrs Thatcher recently visited Israel and she regularly contacts Jordan. How would you proceed to disentangle the various strands?*

KINNOCK: Well, this is very difficult. I don't know if it's impossible. I never resign myself to impossibility. I don't think you can afford to do that. I believe that an effort to impose ourselves on the situation as an honest broker would end in tragedy. If there were sufficiently authoritative representatives of what could broadly be called the two sides in this dispute, although

if there were only two sides in this dispute life would be a lot easier, and if they had enough coincidence of view to say to us 'We are prepared to accept the idea of you promoting some kind of conciliation', then I think it would be ridiculous to refuse to have anything to do with it. What will come of it, I just don't see. The problem is the intractability of the situation. No settlement is possible if it fails to acknowledge the permanence and integrity of the State of Israel, and no settlement is possible without the direct inclusion of the representatives of the Palestinians, representatives who really do command support and respect. Now these are the intractables. And the very ingredients essential to any possibility of resolution are the very ingredients that make the mixture next to impossible to put together.

AG: *Do you think you could find authentic representatives of the Palestinians outside the PLO?*

KINNOCK: I think some of them could be from outside the PLO, but not all of them.

AG: *Would you exclude the PLO from negotiations?*

KINNOCK: Oh no, I don't see how the PLO can be excluded—there are a variety of forms in which they could be included but any strategem that insisted on their exclusion means that at the very best if there was any dialogue it would be a dialogue of the deaf. The most encouraging sign to some extent was the initiative attempted by King Hussein with the backing of President Mubarak and his mission to America; it was a pity that it all came to nothing. They were starting off from the most cautious and nominal position in the hope that over a period of time which did not have to be specified (rightly, in my view) they could build up sufficient movement toward some understanding. Now, one must go back to the beginning. I believe that in the nature of the Israeli democracy, and it is a democracy in a profound sense, a degree of freedom has got to be given to effective negotiators such as Shimon Peres to try and attain security. There is absolutely no possibility of somebody like Shimon Peres selling out Israeli interests. That is not going to happen. He would be the last one to do it. But he is in the most direct sense a man of the Middle East and he loves the place; he predominantly loves Israel of course, but it goes wider than

that, and with enough confidence in him and freedom for him there's a possibility somewhere there, but it is extremely vague. Anyone who talks in absolute terms in the context of the Middle East has just arrived from Mars.

The other thing is, of course, the attitude of the superpowers. There was a time when America saw the Middle East as a challenge to be resolved and made an effort in that direction. The current Administration sees it as a hinge of East-West relationships and treats the Middle East like that. I don't think that's at all helpful. Equally, there was a time when the Soviet Union saw the Middle East as an opportunity for establishing buffers for mischief-making, but it has now moved to the point, though not entirely, of seeing it as a problem to be resolved. What we need is a conjunction of thought between the superpowers, not saying 'The cauldron in the Middle East is a menace to the whole world as well as being a dreadful misery for the people who live there, and we've really got to get together, not in order to superimpose some settlement, but in order to encourage those over whom we have some influence to move towards that.' That might be asking for the moon, but there's enough pragmatism in the conduct of international relations to expect that to happen at some time. I can't see Britain having any prominent role in this; if we do have a role it would come if others directly involved should look around for a country that has not got overstrong alignments and is capable of acting with integrity by itself. I don't know if that day will come.

AG: *Your critics accuse you of verbosity, they find you intellectually lightweight, and they harp on your lack of experience, all of which I find very surprising. How are you going to get rid of these criticisms and make a success of your ideas?*

KINNOCK: Well, it is happening. But this criticism has not always been there. It really started since I've become Leader of the Labour Party. Before that they were ready to forgive just about all sins including my policies on education and a lot of other things because I could always make them laugh. Attempts to use humour since becoming the Party Leader have come to be seen as evidence of my being lightweight, so

I don't tell too many jokes now. But, really, they write all that stuff because they've got minds that are stuck in a groove about where you've come from, where you're educated, what kind of accent you've got and their peculiar views about the nature of something called 'experience', and something called 'bottle' and something called 'gravitas'. I find it irritating from time to time, but you have to persist and I persist.

AG: *Ian Gilmour said you had the gift of the unfortunate phrase. Drower, author of Neil Kinnock, The Path to Leadership, argues that it is a 'fatal under-estimation of the intelligence of the British electorate to assume that Kinnock's verbosity will be sufficient to win Labour a general election.'* The Guardian noted your 'fine Welsh sense of catastrophe' when you started a one-man campaign to improve the first-aid facilities for the people who work at the Palace of Westminster. Then there is that incident after the Falklands/Malvinas War when an angry member of an audience told you that Mrs Margaret Thatcher had shown great guts and you retorted: 'It is a pity that other people had to leave theirs on the ground of Goose Green in order to prove it.' The then Defence Secretary, Mr Michael Heseltine, said you were the 'self-appointed king of the gutter' to which you responded, 'If I was in the gutter, he would still be looking up at me from the sewer.'

KINNOCK: Well, you see they shift the goal post around a lot. They want a peculiar mixture of a politician being natural and unnatural—it is a constant invitation to posturing. It is unjust when it is levelled against me; it irritates me, but when it is levelled against the others, it outrages me because I can look after myself. It is just evidence of their narrowness and preconceptions. I suppose a shorthand for some of them, not all of them, is just plain old snobbery. I remember a meeting that I attended when I was about fifteen or sixteen in Abergavenny in South Wales. It's on the fringe of the industrial area, a beautiful town, and we've never had great strength there. Nye Bevan was due to speak at this meeting but because he was late the fort was being held by a number of other speakers, the last of whom and the most heroic of whom in many ways was Abergavenny's only Labour county councillor. Not a man of great scholarship, but a very worthy

character. He didn't sound his aitches too well and there was a bunch of Young Conservatives there who every time he dropped an aitch put it in, or every time he failed to sound the end of a word, they would put it in. I was at the back because I was a steward and the doors of this hall in Abergavenny opened and in came Bevan, whom we were waiting for and he stopped and he said 'No, let me get an idea of the meeting.' It was packed, and eventually, after about two or three minutes he walked to the front, and amidst loud applause and acclamation he got on to the stage. The old councillor concluded his remarks, got a polite clap and sat down. Bevan got up and said 'Mr Chairman, friends, I have to say that while I detest Toryism I don't detest all Tories, some of them are quite decent people; some of them are quite sensitive people; some of them are quite generous people, who are victims of their beliefs, so it could be fairly said that I don't hate Tories.' There was a titter running through the hall. 'But I do hate snobs!' And that was the last we heard from the Young Conservatives; it absolutely wiped them out, and I've got pretty much the same attitude—a lot of it is just silliness.

PETER FLYNN

Brazil: the politics of the Cruzado Plan

The Cruzado

The reaction to Brazil's Economic Stabilisation Programme, the so-called Cruzado Plan, of 28 February 1986, has mostly been favourable, both in Brazil and abroad. The Plan has been seen, for the most part, as bold, imaginative and decisive, based on sound economic theory, and set within a coherent strategy, which explicitly links stabilisation with plans for growth, while also paying more attention than in the past to the urgent demands for distribution. There has been praise, too, for the fine sense of timing in terms of its announcement, for its apparent respect for political realities and sensibilities, and for its concern to protect, as far as possible, from its immediate impact the poor, the working class and those most vulnerable in Brazilian society. The Plan has had, and has, its critics, but they have been relatively few.

Most comment, understandably enough, has focused on the technical aspects of the Plan and the theory on which they are based, on the monetary reform, the price freeze, the extensive de-indexation, its treatment of wages, of exchange rates and all the devices for attacking inflation. There has been much less discussion of the political implications of the Plan, even though, from the start, its survival and success have been recognised as depending more on the government's ability to sell it politically than on its intrinsic technical merits. In this respect, it is worth reflecting on how this bold, and very necessary, initiative chimes in with the politics of Brazil's 'New Republic', and what it implies, in particular, for the government of President José Sarney, and for those who may wish to take his place.

The Plan

First, something on the background to the Plan and what it tries to do. When it was announced, in Decree Law No. 2,283, it was designed to be, and was, a swift, unexpected shock to the whole system, a sharp punch to the jaw, or a right cross, which, by chance, is the slang meaning of *cruzado*. Only days previously, informed analysts had speculated that

de-indexation would probably come at some time in the year, but with no idea that the punch already was on the way.¹ The government and the authors of the Plan rightly claimed in subsequent debate that the package *had* to be delivered swiftly, without warning and without open discussion, so as to avoid immediate, panic-filled speculation, huge leaps in prices and other reactions which would have fuelled still further the swiftly rising inflation, and would have made the task of stabilisation even more difficult than before.² Certainly, the secrecy surrounding the Plan and its announcement was astonishing, not least in a system notorious for 'leaks' and inspired rumours. Preparations had been under way, in effect, since Dilson Funaro took over from Francisco Neves Dornelles as Minister of Finance in late August 1985, but, even on the eve of the announcement, only about fifteen people in the whole country knew what was being planned.³

Apart from the Minister of Finance and the Minister of Planning, João Sayad, the men mainly responsible for the package were an able group of young economists, mostly linked to the PUC, the Pontifical Catholic University, in Rio de Janeiro and to the University of Campinas in São Paulo.⁴ The economists behind the Plan were all tied in varying degrees to the PMDB (Party of the Brazilian Democratic Movement), which, after the long years of military-backed government, had come to power, albeit in tragic circumstances and considerable confusion, with the indirect election of Tancredo Neves in January 1985 and the government of the 'New Republic' in March 1985. Perhaps their main shared characteristic was a mistrust and rejection of monetarist analyses of the Brazilian economy, especially in terms of the causes and

¹ For speculation on the possibility of de-indexation at some time in the coming year see: *Senhor*, 25 February 1986, p. 34. For details on the choice of name for the new currency, which gave its more popular name to the Plan as a whole, see *ibid.*, 11 March 1986, p. 35.

² See, for example, the long interview with the economist Persio Arida (Special Secretary for Economic Affairs in the Finance Ministry), one of the small group of theorists behind the Plan, in *Senhor*, 25 March 1986. As he rightly says, had Sarney on Friday 28 February announced that he was starting a process which would culminate in a general price freeze, then prices would have tripled by Monday. As it was, after rumours began to spread on Thursday the 27th, some supermarkets paid employees double-time to work all through the night, marking up prices. In this respect, to criticise the package, as some people have done, for being authoritarian and non-democratic seems unrealistic and unfair.

³ For the immediate background see the interview with another key theorist, Luiz Gonzaga Belluzzo (Special Secretary for Economic and Social Coordination in Seplan, Secretariat of Planning), *Senhor*, 11 March 1986, pp. 32–8.

⁴ In addition to Belluzzo and Arida, those most associated with the new strategy were Francisco Lopes (PUC), André Lara Resende (Director of Public Debt in the Central Bank), João Manoel Cardoso de Mello (Special Adviser in the Finance Ministry), Luís Carlos Mendonça de Barros (Director in the Area of Capital Markets of the Central Bank), Andrea Calabi (General Secretary of Seplan) and Edmar Bacha (President of the Getúlio Vargas Foundation).

nature of inflation, and a consequent distrust of the IMF and of recipes which might help to maintain low rates of inflation, but which, in the case of Brazil, would do little other than deepen the recession, already further aggravated by the high cost of oil and unprecedentedly high interest rates. There was also a common belief that Brazil's foreign debt, while it must be honoured as far as possible, could not for long be allowed to drain off 4–5 per cent of Brazil's GDP. Different authors laid varying emphases on the remedies required, but there was an overall consensus on the need for a sharp, sudden action, such as a general freezing of prices, and for an end to generalised indexation, which might alleviate the symptoms of inflation in the short term, but which itself had become the powerful motor of even higher inflation rates. All these elements, and more, were to appear in the Cruzado Plan, with the additional features—mostly affecting, and trying to protect, wages and the working class—coming from the Minister of Labour, Almir Pazzianotto.⁵

The architects of the Plan had their first meeting on 10 September 1985, almost as Funaro took office, and worked consistently, but quietly, from then on, examining issues of monetary reform (largely the responsibility of Resende and Arida) of price freezes (led by Lopes) of de-indexation, interest rates, exchange rates, wages, and all the other changes deemed to be necessary; above all, the need to tackle 'inertial inflation', the vicious circle which was leading, slowly, perhaps, but inevitably, to the deadly corrosive of hyperinflation.⁶ Most of the group's work seems to have been completed quickly, but they were concerned not to provoke harmful shocks—in interest rates, for example—such as had followed the introduction of the Argentine *Plano Austral* on 15 May 1985.⁷ Both the authors of the Plan and the government were also keenly aware that the timing of the intervention must be right. One immediate cause for delay was the impact on Brazilian agriculture of the prolonged drought, which had hit food

⁵ See the very interesting interview with Pazzianotto, *Veja*, 5 March 1986.

⁶ Again for details see the Belluzzo interview, *Senhor*, 11 March 1986. The idea of 'inertial inflation' and the need for a sudden price freeze seems to have owed much to Francisco Lopes and André Lara Resende, *ibid.*, pp. 40–1. Criticism of indexation in these terms was not, of course, confined to economists of the left. A fierce critic, even in the later years of the military government, was Octávio Gouvêa Bulhões, Minister of Finance in the Castello Branco government, who, after introducing indexation, later became one of its sternest critics. See especially his long interview in *Veja*, 20 March 1985, pp. 5–8. Bulhões, speaking two days before Tancredo Neves was to take office, urged the need to end the monetary correction he had introduced, despite the risks entailed. The current deficit is due '... above all, to the transmission of past inflation to the future through the mechanism of monetary correction.'

For a useful break-down and comparison of the two Plans see *Senhor*, 11 March 1986, pp. 39–41.

supplies very severely towards the end of the year; there was evident advantage in introducing the package when the economy, more generally, could be seen to be on the upturn, which by late February 1986 was the case.

Meanwhile, Funaro's economic team prepared the way for the Cruzado Plan by introducing several important changes, the full significance of which was not perceived at the time. Some elements of the Plan were already contained in the programme of the PMDB, especially as it related to de-indexation, the price freeze and unemployment benefit.⁸ Other related measures were contained in the 1986-89 First National Development Plan of the New Republic and a complementary package of mainly short-term aims, which the government sent to Congress in November 1985. One overall objective was the reduction of the public deficit, again, in part, with an eye on the Argentine experience. Important in this respect were changes in the tax system, approved by Congress in December. The National Development Plan had shown that over the last decade the tax burden had declined from 25.9 per cent of GDP in 1970-74 to 23.6 per cent in 1980-84. The aim now was the recomposition of the gross tax burden through a series of reforms which, combined with cutbacks in expenditure and financial charges, would reduce the public deficit in 1986 and, in turn, limit the government's borrowing requirements, the growth of the internal debt and the pressure on interest rates.

The second important measure to pave the way for the Plan was the withdrawal of what was called the movement account (*conta movimento*) from the Banco do Brasil. From January 1986 operations carried out by the Banco do Brasil in the name of the National Treasury had to be based on specific, previously defined, resources. The Banco do Brasil now no longer had automatic access to Central Bank resources, so lost the right to issue money on the basis of its own autonomous decision. This autonomy, one of the peculiarities of the Brazilian monetary system, was recognised as having been a serious obstacle to the control and organisation of public finances.

Steps were also taken to fend off one of the possible dangers to the success of the Plan, namely, the impact on food prices of one of the worst droughts of the past forty years, which had hit the main

⁸ See the comments of Senator Fernando Henrique Cardoso in *Veja*, 5 March 1986, p. 36. Perhaps the most convenient summary of the Plan, which has parallel texts in Portuguese, English and Spanish, is: *Brasil: Programa de Estabilização Econômica*. (Economic Stabilisation Programme) Secretariat of Planning of the Presidency of the Republic, Brasília, 1986.

food-producing region of the country. Efforts were made to streamline the marketing and distribution systems, while a further US\$1 billion was made available for food imports in 1986. At the same time it was estimated that the worst effects of the drought should have worked themselves out by about February 1986, in so far as they had been anticipated and already were reflected in the prices of November, December and January 1986.⁹ Other changes, too, paved the way, unifying, for example, in November, on the basis of a single price index, the three basic adjustments of the economy—wages, monetary correction and exchange devaluation. Again, in January 1986, savings deposits were subjected to reserve requirements in the form of government bonds, pointing to a gradual reduction in interest rates, while, in February, the government introduced measures further to reduce consumer credit and curb the growth of aggregate demand.

The single aim of all these initiatives was to cut back the inflationary process as far as possible, to reduce it, in effect to its inertial component,¹⁰ which might more easily and speedily be tackled by the sharp, sudden shock, the cruzado which the government had up its sleeve. This careful, steady preparation was to pay dividends after 28 February. It also clearly showed how wrong were those critics at the time who saw the introduction of the Plan as a sudden decision by Sarney, panicked in late February 1986 by reports of projected inflation figures of 500–600 per cent, by a growing crisis in the PMDB, his own falling popularity, and the threat of direct elections in 1986 or 1987, under pressure from rival politicians, above all, Leonel Brizola. All these factors were there, and will be considered, but it is clear that the Cruzado Plan had been carefully prepared, being held in readiness till the moment was deemed to be right, which by late February 1986 it was.

One important factor favouring the introduction of the Plan by late February, which again marks off the Brazilian intervention from its predecessor, if not its exemplar, in Argentina in 1985, was the behaviour of the Brazilian economy, especially its stable balance-of-payments position and the help given by impulses from the world economy. In Argentina the Austral Plan of 1985 came after three years of recession and with an inflation rate of over 1000 per cent. The Cruzado Plan was announced when inflation was running at about 255 per cent, though projected to rise much higher, and after a year of

⁹ *Ibid.*, p 21.

¹⁰ *Programa*, *op. cit.*, pp 20–1.

remarkable growth and expansion. 1985 had seen a growth rate of 8.3 per cent, and an export surplus of US\$ 12.8 billion, the third largest in the world.¹¹ The authors of the Plan could confidently hope that in 1986 Brazil, for the fourth year in succession, would be able to generate a trade surplus of US\$12–13 billion. In this the country would be greatly helped, too, by the fall in oil prices, leading to a bill of perhaps US\$4 billion for energy imports in 1986,¹² as compared to one of US\$9 billion three years earlier. The fall in the price of the dollar and the fall in international interest rates also eased pressure on Brazil just as the stabilisation package was being introduced.

It was, in part, this confident performance which allowed Brazil to announce the Cruzado Plan without reference to the IMF, again emphasising that Brazil would set its own path, even if, subsequently, the course chosen might meet with IMF approval. In the same way, in handling the debt problem, the government was satisfied with the fact that it had been able to reduce the *spread*, without the IMF, at similar levels to Mexico and Venezuela with the IMF.¹³ Just as the new package was being announced, Brazilian negotiators managed to re-finance almost one-third of the debt (about US\$31 billion) under much better conditions than those obtained in 1982, 1983 and 1984. A meeting, in Washington, led by William Rhodes, fixed a rate of 1.125 per cent above *libor* for the foreign debt of the public sector and 1.25 per cent for debts in the private sector, despite Brazil's refusal to toe the IMF's line. Some economists and politicians thought that Brazil should have done even better in the light of regular payments already made and, at the same time, the authors of the Plan were emphatic that Brazil, whatever its export surpluses, could not go on transferring such an unprecedented quantity of resources abroad, and that some more satisfactory solution must be found.¹⁴ No country, they argued, at Brazil's stage of development, whatever the level of investment (which in Brazil, in any case, was too low) could continue to send abroad 5 per cent of GDP, as Brazil had done since 1984:

¹¹ For balance of payments 1984–86 see *Programa*, *op. cit.*, p. 30, Table I. For inflation rates, exchange rates and monetary correction 1983–February 1986, see *ibid.*, p. 36, Table IV.

¹² See the report by Robert Graham, *Financial Times* (London) 7 April 1986.

¹³ See the Belluzzo interview: *op. cit.*, p. 36. Also the article by Marizete Mudim, *ibid.*, pp. 29–31.

¹⁴ Mudim, *op. cit.*, p. 31. Belluzzo, *op. cit.*, p. 36. Arida, *op. cit.*, who notes this as the first success since September 1982: *Programa*, *op. cit.*, p. 29 and p. 31, Table III, National Accounts Statistics. For a useful account of attempts at stabilisation see Reinaldo Gonçalves, 'Brazil's search for stabilisation', *Third World Quarterly* 7(2) April 1985, p. 279—which shows clearly the difference between those efforts, in relation, for example, to the IMF and the Cruzado Plan

Therefore, this indispensable reduction in the outward transfers of resource requires external debt renegotiations of much wider scope. The limited system of rescheduling implemented in the last three years are simply inadequate.¹⁵

By late February the government had decided that the time was right to intervene. In an early morning televised speech, in the presence of all his ministers, President Sarney told an astonished nation of the measures being imposed, describing them as 'a life or death struggle against inflation . . .' 'We have run out of palliatives, the decision has been made. Now it's a question of carrying it through and winning . . .'¹⁶

The new Decree Law replaced the cruzeiro, which had been declining in value at the rate of nearly 0.5 per cent per day, with the cruzado (one cruzado to equal 1000 cruzeiros), which was to be a strong currency with fixed parity in relation to the US dollar, the rate of exchange being fixed for an indefinite period, at 13.84 cruzados. It ended generalised indexation, whereby all prices and wages had been corrected at varying intervals (wages every six months) in accordance with the rate of inflation. All prices were frozen, for an indefinite period, at the levels of 27 February 1986, with a list of maximum prices being issued to help this control. The President made it clear that the freeze would be strictly enforced. The value of National Treasury Bonds (ORTNs), which previously had changed monthly in accordance with inflation, was now fixed at 106.40 cruzados, not to be adjusted again for twelve months. Financial assets with maturities of less than one year could no longer be indexed, except for savings accounts (*cadernetas de poupança*), the time of service compensation (*Fundo de Garantia por Tempo de Serviço*) and other funds which directly benefited employees. These would now be adjusted quarterly on the basis of the Consumer Price Index.

Contracts which had been subject to periodic readjustments, such as wages, housing rents and mortgage payments (*prestações do Sistema Financeiro da Habitação*), were now to be converted on the basis of their average real value in the period between adjustments. Wages and other forms of labour-related incomes, as well as retirement benefits and pensions, were to be converted into cruzados on the basis of average real values over the last six months, the argument being that this would be fairer to workers who had not had their six-monthly adjustment almost on the eve of the decree, even though other groups might feel aggrieved.

¹⁵ *Programa*; op. cit., p. 29.

¹⁶ *Veja*, 5 March 1986, p. 22

While enforcing these adjustments, the government was sensitive to their impact on the workers of Brazil. The decree granted a wage rise of 8 per cent to all workers, but increased the minimum wage by 16 per cent. Wages were also to be increased automatically at any time when the Consumer Price Index reached 20 per cent ('sliding scale'). Again, at the time of wage negotiations between workers and employers, now to take place annually, workers would automatically be entitled to increases equivalent to 60 per cent of the inflation rate, with the other 40 per cent open to bargaining between workers and employers.¹⁷ Such negotiations, as distinct from the system in the past, were to be free, with no predetermined limits on wage rises. Finally, the decree introduced a system of unemployment benefit (*seguro-desemprego*) for workers dismissed without due cause or when a company closed down.

The general, overwhelming reaction to Sarney's announcement was an almost audible national sigh of relief, that someone, at last, was seriously trying to do something about inflation, but still with talk of growth and a refusal simply to accept recession and impose the costs of stabilisation directly on the wage-earners. All sectors of society welcomed the initiative: it was, in fact, difficult to oppose it, even for those groups and individuals who previously had been most critical of the President and his government.¹⁸ Among those least happy were the bankers and financiers, who had done so well out of inflation and monetary correction, and who at once tried to put some pressure on the government.¹⁹ On the other hand, the stock market in São Paulo immediately went up by 23.2 per cent on Tuesday, 4 March 1986, the biggest rise recorded since the heady 'miracle' days of 1971.²⁰ Reaction from the unions was mostly favourable, the leaders having to take account of the wildly popular support given to the plan by the mass of the people and to the explicit provisions in the scheme to give some

¹⁷ This provision, it should be noted, was not in the original decree. It was conceded just over two weeks later, on the decision of Sarney, as a concession to Pazzianotto, to help him in dealing with the trade unions. Funaro opposed it as a dangerous return to indexation. See below p. 1173-4.

¹⁸ For a typically enthusiastic reception see *Veja*, 5 March 1986, pp. 19-38. It speaks of Sarney's boldness ('the most courageous decision of his political career' (p. 19),) notes the degree of public support and how critics, especially in the PMDB, have been silenced. See, too, *Senhor*, 4 March 1986, which refers to 'extreme courage' and *ibid.*, 11 March, 1986, pp. 32-52, which examines the reaction of different groups of politicians, economists, bankers, industrialists and trade unions. The Latin America Regional Reports (Brazil), having referred, on 7 February, to recent editorials in the *Jornal do Brasil*, *Folha de São Paulo* and *Estado de São Paulo*, all critical of the government's inaction over inflation, notes the PMDB's enthusiasm for the new plan (14 March) and the political benefits for Sarney (25 April).

¹⁹ See *Veja*, 11 March 1986, pp. 43-5; also pp. 51-2 on the ending of 'overnight' and the blow to financial speculation. For the pressures from bankers see *ibid.*, p. 38.

²⁰ *Ibid.*

protection to the workers. J  r Meneguelli, president of CUT (Central   nica dos Trabalhadores) spoke rather wildly of the package having been designed '... to make easier the payment of the foreign debt at the cost of the worker',²¹ but also made a more telling point, in noting that the wage adjustment on the basis of *average* wages over six months would imply a real disadvantage for some workers, such as bank employees in S  o Paulo. He warned that Brazilian workers would unite in a general strike. Lula, by contrast, was relatively quiet, while Joaquim dos Santos Andrade (Joaquinz  o) president of CONCLAT (Confer  ncia Nacional das Classes Trabalhadores) seemed to express the more typical reaction: 'The package is about 97 per cent right, and the other 3 per cent we can try to put right ...'²²

Beyond all doubt, however, the popular response was one of warm, sometimes wild, enthusiasm, as people all over the country committed themselves to act as watchdogs, especially over price rises. They wore plastic lapel badges announcing '*Eu sou fiscal do Sarney*'; they sang the national anthem in supermarkets, denounced anyone found putting prices up, and even sacked some shops for breaking the rules. The authors of the Plan were perfectly frank in declaring that it could only succeed with the full support of the people of Brazil, that it had to be 'transparent' for all to see,²³ and Sarney in his speech to the nation pulled out all the stops. It was a performance in the full populist tradition, of heightened rhetoric and emotional appeals directly to the people over the heads of party and Congress. Rejecting the 'palliatives' of the past, he stressed, with more than a tinge of bathos: 'It was not for this that the inexplicable ways of destiny made me President of the Republic.'

It was an extraordinarily daring and dangerous appeal for direct popular support, remarkable in a man who less than two years previously had been president of the government party (PDS) and who had been identified, in the broadest sense, with the policies of the old regime, who had come to office through an act of chance, unelected and suffering from all the disadvantages of one who only recently had

²¹ *Senhor*, 4 March 1986, p. 34.

²² *Ibid.*, pp. 42-3.

²³ See the Belluzzo interview, *Senhor*, 11 March 1986, p. 34, where he says that democracy allows a new relationship between government and society, with government accepting the responsibility given to it in the campaign for direct elections (*diretas j  *). Also Arida, *op. cit.*, 25 March 1986, who says the participation of the people is fundamental to success, especially of more organised groups, such as the unions and the 'base communities' (*organiza  es de base*). Also *Programa* *op. cit.*, p. 29, ending by saying that the Plan can be successful 'With the confidence and support of Brazilian society ...'

changed sides.²⁴ It was an appeal made, too, when Sarney was under growing criticism both from the press and within his new party (PMDB) shortly after he had announced a distinctly right-wing ministry, largely made up of the PFL, at a time when all eyes were turned to the important elections to be held in November, and when there were ever louder demands for an early, direct election of a new President of the Republic. Everyone agreed that the success of the plan, and, perhaps, the political survival of the President, essentially depended not on its technical niceties, but on the quality of its political appeal. The Cruzado Plan was a political gamble. Would it succeed?

The politics

The regime crisis, 1983–84

To appreciate the position of President Sarney and his government by late February 1986, one must remember the extraordinary circumstances in which he came to power, the peculiar ups and downs of his first year in office which came to an end almost as the Plan was announced, and the longer process of slow 'redemocratisation' within which all this was set.²⁵ Right from the start, the Brazilian process of political 'relaxation' (*distensão*) or 'opening', had been conceived as state-directed and controlled, a further refinement in the country's long-established process of social and political control, in which the state was to dictate the pace, direction and extent of the *abertura* process. Two of the main architects of this movement from 1974 onwards were General Golbery do Couto e Silva and Senator Petrônio Portella, introducing at various times a whole series of *casuismos*, devices for slowing down or shifting the pace of political opening.²⁶ One

²⁴ For a rather untypical and unusually bitter comment, see Franklin de Oliveira: 'Delfino messiânico', *Senhor*, 11 March 1986, p. 67. Rejecting Sarney's claim to have made 'the greatest revolution in the history of the country', Oliveira insists that all he had done 'is to patch up [remender] Brazilian capitalism . . . taken to the point of insanity by a military dictatorship which, by commission or omission, . . . Sarney served devotedly for twenty years'.

²⁵ Much of the following section is taken from the current ESRC-financed project of Elizabeth Allen and Peter Flynn, 'Brazil: The State and Opposition 1978–85. Parties, Pressures and Policy Implications'.

²⁶ In two long interviews in September 1983 and July 1985, General Golbery explained to the researchers why he believed *abertura* was necessary and the nature of the opposition to it. The reasons included the need to end the growing corruption in civil and military circles and the need for more effective government, while opposition to the process was mainly seen as centred around retired officers entrenched in the business world, especially through their links to the 'intelligence community' and the security services.

feeling of genuine warmth towards the US for supporting South Korea with the sacrifice of thousands of young men and millions of dollars in aid. The US support for the 1960 student rebellion against Syngman Rhee—when the US Ambassador publicly stated his support for democracy and virtually ordered Rhee to step down—added to this perception. The escalation of tensions between President Park and successive US administrations during the 1970s over human rights, and the 'Koreagate' bribery scandal also served to underline the view that it was the Park dictatorship and not US interests that were at the core of Korea's problems.

But these illusions were to be shattered when the test of American commitment to democracy came in 1979 and 1980.

The political crisis of 1979

As popular dissatisfaction with the eighteen-year rule of Park Chung Hee increased and labour unrest grew in 1979, the political opposition gained visibility and strength. In May 1979, Kim Young Sam was elected as the new party chairman of the opposition New Democratic Party (NDP) after promising to fight for democratic reforms. Then in August, the workers' struggle burst into the headlines of the nation's normally censored press. Two hours after the midnight curfew on 11 August, 1,000 riot police raided the headquarters of the NDP, where 180 women workers of the YH Industrial Wig Company and 30 NDP members were in the second day of a sit-in to protest at the factory's closing. Many workers, NDP members, and reporters were badly beaten during the raid. A young woman, an executive member of the labour union, was killed. The incident was front-page news throughout South Korea for days.³

In early October President Park ousted Kim Young Sam from the National Assembly, ostensibly over his public appeal to the US to withdraw support from Park's dictatorial rule. Soon thereafter, students and dock workers led large demonstrations in Pusan, Kim's hometown; the unrest rapidly spread to the nearby Masan Free Export Zone. A few days later, on 26 October 1979, Park was assassinated by the director of the KCIA, who feared that Park's hard line against dissent was leading to a violent revolution.

Many Koreans rejoiced at the death of the dictator, and looked forward to an end to military rule, a new Constitution, and a

³ *Korea Herald* (Seoul) 12–15 August 1979.

both officially and through elements such as the *grupos de base*, or, again, from *associações de moradores* (residents' associations).³¹ These movements all came together in 1984, in the unprecedented demands for direct elections for the presidency, when millions of people took to the streets in peaceful demonstrations, insisting on *diretas já*. However, on 25 April 1984, the Dante Oliveira proposed constitutional amendment, needing a two-thirds majority in Congress, was defeated by 298 votes to 65, with 113 absent and, almost overnight, the cries for *diretas já* were silenced.

If silenced, their echoes still persisted, above all, in the ears of the regime, as one must appreciate in order to understand the present position of Sarney. Interviews in Brazil from November 1982 to July 1983 clearly showed that perhaps the most striking effect of the elections of November was not on the opposition, but on the government's own party, the PDS.³² The elections had shown that the regime could no longer deliver the vote, could no longer, in the old English phrase, 'make a government'. The one figure who, to many PDS Congressmen, seemed able to offer hope was the former governor of São Paulo, Paulo Selim Maluf, who in 1978 had won the governorship against the regime's candidate and in 1982 had swept the board in his election as Federal Deputy. For the next two years Maluf and his presidential ambitions were to become one of the dominant features of national politics, leading to a crisis and split within the PDS, which would culminate in the indirect election of Tancredo Neves in January 1985.

One serious problem was the persistent refusal of President João Figueiredo to opt for any single PDS candidate. In early 1984 he would support none of half a dozen possible choices and by February, his Vice-President, Aureliano Chaves, was already making overtures to the PMDB. Soon after the Dante Oliveira amendment vote in April, some north-eastern governors, who previously had favoured the Minister of the Interior, Mário Andreazza, started approaching the PMDB governor of Minas Gerais, Tancredo Neves, who showed interest even in an indirect election. On 6 June 1984, Senator José Sarney, president

³¹ See Moreira Alves, *op. cit.*, especially pp 274-95, Tables A.9, A.10, and A.11 for the strikes of 1978, 1979 and 1980; also *ibid.*, pp 174-82. See, too, Scott Mainwaring, *Grass Roots Popular Movements and the Struggle for Democracy: Nova Iguaçu 1974-85*, Notre Dame, Indiana Kellogg Institute, University of Notre Dame, Working Papers No. 52, December 1985, and by the same author, *The Transition to Democracy in Brazil*, Kellogg Institute, Working Paper No. 66, March 1986.

³² This was especially true in interviews with Congressmen in Brasília. The PDS was in disarray, its members running for cover.

of the PDS, desperately trying to preserve party unity and to find an acceptable candidate, suggested a kind of primary election, but was howled down by Malufistas in the party meeting. On 11 June, Sarney resigned as president of the party. Events then moved very swiftly, Sarney meeting Ulysses Guimarães, president of the PMDB, on the very day after his resignation (12 June) and Tancredo Neves announcing on 15 June that, if approached by the PMDB, he would be willing to be candidate for the presidency. Other meetings were quickly arranged, with a 'Frente Liberal' (a dissident group within the PDS) binding themselves to a coalition with the opposition PMDB, in a new Democratic Alliance. They proposed as Tancredo's running-mate, Senator José Sarney, who was accepted only reluctantly by the left of the PMDB³³ in the party's convention of 12 August. On 11 August 1984, Maluf easily won the PDS nomination in its national convention by 493 votes to 350, but already it was a hollow victory.

What one is seeing here is the decomposition of a ruling bloc, of a party unable to resolve its internal differences and rivalries, pulled apart over the question of presidential succession. A substantial proportion of the leadership of the party refused to accept Maluf's imposition of his candidacy, even though he had strong rank and file support.³⁴ There was enormous pressure on Sarney, regarded with some bitterness in the PDS and unacceptable to many in the PMDB.³⁵ Many also believed that if Figueiredo had made a clear choice earlier, the crisis could have been avoided.³⁶ But by August 1984 important economic and financial interests already had opted for Tancredo Neves as the viable alternative

³³ The chronological details are important in explaining the pace and direction of these alliances. They include a meeting between Vice-President Aureliano Chaves and Governor Tancredo Neves in the Vice-Presidential Palácio do Jaburu on 1 July, a meeting between Aureliano and ex-President Ernesto Geisel (still a key figure in military as well as civilian politics) on 2 July, and a visit to Brasília on 6 August by Geisel, to talk to the President. On 14 August the alliance between the Frente Liberal and the PMDB was formalised as the agreement of the Palácio do Jaburu. For some of these moves see especially: G. Dimenstein *et al.*, *O Complot que elegeu Tancredo*, Rio de Janeiro, 1985. Also David Fleischer, 'Brazil at the Crossroads: The Elections of 1982 and 1985', (mimeo) San Diego, California: February 1985.

³⁴ The open quarrels became extremely bitter and personal, with charges and counter-charges of corruption being hurled in every direction, especially between Maluf and the governor of Bahia, Antônio Carlos Magalhães.

³⁵ In an interesting interview in September 1984, Senator Sarney explained to us how he and others had been able to make the shift in party and bring most of their base support with them.

³⁶ In an interview in Rio de Janeiro in 1985, Wellington Moreira Franco, PDS candidate for governor in 1982, explained how, with more determined and astute leadership, the Agreement of the Palácio do Jaburu could have been the pact of the Palácio da Alvorada – in other words, made within the PDS and the regime, not outside it.

to Maluf.³⁷ From September the bandwagon began to roll more quickly in a series of noisy public meetings (*comícios*) around the country and, on 15 January 1985, Tancredo Neves won by 480 votes to 180 in the Electoral College, with 17 abstentions and 9 voters absent, with Sarney as his Vice-President.³⁸

The candidate of 'conciliation'

If the original project of slow, controlled, state-directed *abertura* had to be interrupted and another candidate found, Tancredo Neves was the ideal choice. Tancredo's long career in Minas and national politics, his close association with Vargas, with Kubitschek, and with Goulart, made him acceptable to the left, but equally, his PSD background and his role in the PP in 1979–80, showed the confidence in which he was held by bankers, and entrepreneurs, men such as Herbert Levy and Olavo Setúbal in São Paulo, and even his old political rival, Magalhães Pinto, in Minas, who now gave him their backing.³⁹ Tancredo was the archetypal *mineiro* politician of *conciliação*,⁴⁰ acceptable to the left and to the right and to the military king-makers, such as Geisel. What was confidently expected of him in January 1985 was that he would

³⁷ In a fascinating interview in September 1984, one of the main author's of the programme of the Democratic Alliance, when asked about Tancredo's chances of winning, smiled, and asked in return whether we thought Tancredo would have given up the governorship of his home state, Minas Gerais, the job he had always wanted, unless his election were already guaranteed 'by us'.

³⁸ Both the PT and the PDT (Democratic Labour Party) expressed strong reservations about voting indirectly. During the meeting of the Electoral College, five of the eight PT deputies remained in a public hallway in the Congress building, denouncing the election as spurious. All PDT deputies but one voted for Tancredo, to defeat Maluf, but making it clear that his government must be 'provisional' with a Constituent Assembly to be called by, at the latest, November 1986. See *Jornal do Brasil*, 16 January 1985, and criticism in *Folha de São Paulo* of the same day, especially by Francisco de Oliveira, 'E agora transição.'

³⁹ Born in 1910, Tancredo, a lawyer, banker and academic was a cautious politician, tied closely to Juscelino Kubitschek and the PSD in his native state, Minas Gerais. Elected Federal Deputy in 1951, he became Minister of Justice under Vargas and always remained loyal to one thread in the Vargista tradition. He was defeated in the election for State Governor of Minas in 1960 by the UDN candidate, Magalhães Pinto, but became the first Prime Minister of the parliamentary regime, in 1961–2 under Goulart, and in 1963 the Chamber majority leader. He survived the coup of 1964, when others lost their political rights, but never compromised with the new regime, whose leaders mostly respected him. He joined the MDB, but in 1979–80 moved into the new PP (Partido Popular), the group especially favoured by entrepreneurs and bankers. In February 1982, under new pressures, he joined the PMDB and in November was elected Governor of Minas Gerais. For an especially useful discussion of his career, see *Folha de São Paulo*, 16 January 1985.

⁴⁰ See on this concept Michel Debrun, *A 'Conciliação' e outras estratégias*, São Paulo, 1983. One was not surprised to be told in an interview that Golbery do Couto e Silva had once remarked that if his strategy, for whatever reason, could not be carried through, Tancredo Neves would be the ideal fall-back candidate. It has not yet been possible to verify the report, but it is distinctly plausible.

guarantee the smooth transition between military and civilian rule, with wider popular legitimation than could have been expected for any other successor to Figueiredo who was not directly elected. A man of the right, yet with Vargista credentials, who had not compromised with the military regime, he was expected to guarantee the centre of politics and, at the same time, guide what increasingly was coming to be seen as the new 'party of government', the PMDB. Equally important, while doing this, he would avoid and exclude political extremes, above all, Leonel Brizola, as, indeed, he himself acknowledged in deliberately throwing down the gauntlet to Brizola on the eve of his planned inauguration on 14 March 1985.⁴¹

Tancredo would also, it was believed, guarantee and maintain the timetable for *abertura* with elections for mayors for capital cities and spas in November 1985, and for governors and Congress in November 1986. He would set about dismantling the repressive apparatus of the old regime and guide the country towards a Constituent Assembly, until, finally, the process was completed with a direct election of the President of the Republic. Then, on the Day of Tiradentes, the great *mineiro* hero (22 April 1985) Tancredo Neves died.

The challenge to Sarney

The public sorrow and compassion of the nation over the illness and death of Tancredo Neves had no parallel in Brazilian experience. His sudden illness, on the very eve of his inauguration, had a mobilising impact similar to that of *directus já*, increasing the popular emotional commitment to the ideal of the 'New Republic' which Tancredo had promised. His death also brought deep political trauma, especially in the PMDB and on the left, where, for many, the sudden loss of Tancredo was a nightmare come true. In the early days, which stretched to weeks, of confusion and sorrow, Ulysses Guimarães, president of the PMDB, played an important role in guaranteeing the succession of Sarney: but the problems were all too plain to see, as the new President still without full authority, struggled to make sense of a heterogeneous government composed, on an intricately personal basis, by Tancredo Neves.

Again, the details must be left to one side, but two key issues were immediately apparent: first, Sarney's standing and authority in his new party, the PMDB, and, secondly, his ability to control Congress. Like Quadros in 1960, here, suddenly, was a president without a party base,

⁴¹ By publicly criticising Brizola's choice of state secretaries

without clear party support in Congress and without the same authority and popular legitimacy as Tancredo to control the direction and timetable of *abertura*. Nor was it immediately evident that he would have the same basis of support among the business community, nor among the leaders of the armed forces, always nervous over sudden political disruption.

There was, inevitably, a lot of froth and bubble on the surface of politics over the next three to four months, with enormous time and energy spent on appointments at the *segunda escalão*, where, inevitably, *fisiologismo*, the eager scramble for post and position, showed all party groupings to their worst possible advantage. This was especially so in the PMDB. Sarney, between March and July 1985, the end of the Congressional session, was faced by a virtual revolt of the PMDB, despite all the efforts of Fernando Henrique Cardoso, appointed by Tancredo as 'Super-Whip' for both Chamber and Senate. Much of their revolt was petulant, bringing little credit to party or to Chamber, merely underlining the damage done to parliamentary practice in two decades of military control. But two issues were vital, and were to cost the PMDB dearly, and both related directly to the elections in November for *prefeito*, which Tancredo had wanted, but which, possibly, had he lived, he would have avoided. The two votes which came before Congress were, first, that mayors appointed by the elected governors in November 1982 should be eligible as candidates in November 1985, and, secondly, that the vote should be in *dois turnos*, so that a second election might be possible, if the first were to prove indecisive. If the first were allowed, then the appointed PMDB *prefeito* in São Paulo, Mário Covas, would be eligible to stand for election and almost certainly would win. If the second motion were passed, there was hope, from the PMDB's point of view, that at least a second vote, should it be necessary, might stop a victory of Brizola and his candidate in Rio, where already the PMDB was clearly in disarray. Both votes were a disaster for the PMDB, lost because of PMDB deputies, presumably unaware of the importance of the issues, and anxious only to defy a President and his close associates, not sensitive enough, as they thought, to their demand for preference.

By July 1985, in a series of interviews, mainly in Brasília, it was obvious how serious was the risk for the PMDB, above all, in São Paulo. In one memorable interview in Brasília, a wealthy businessman calmly explained how he and his colleagues would spend whatever was necessary in São Paulo to defeat Fernando Henrique Cardoso, the

al, if reluctant, candidate for mayor for the PMDB. The aim of this up on the right, the interviewee explained, was not so much to port Quadros (whom, he added, they would back no further than tion as mayor) as to damage the chances of Cardoso, both in São ilo and at a national level and, more immediately, to hit as severely as sible the national leadership and ambitions of Ulysses Guimarães l Franco Montoro and to help their own eventual presidential didate, Marco Maciel.

Already by July it was clear that a victory for Quadros in São Paulo l for Brizola in Rio de Janeiro would polarise Brazilian politics and severe harm to the PMDB. The media, enthusiastic in its support for doso, seemed not to have noticed that in November 1982 Quadros s remarkably successful in the ABC industrial towns of São Paulo, l, in a subsequent interview, even Cardoso himself admitted that he s surprised at the start of the campaign to learn of the degree of port for Quadros.⁴² In the end, Cardoso lost by only a narrow rgin⁴³ of 138,000 votes (3.4 per cent), Quadros taking 38 per cent. le the PMDB, as he rightly says, did well throughout the country. e overall result, nevertheless, was a severe blow for the PMDB and Cardoso. The elections also revealed the PT as a more important ional party than previously had been thought, even allowing for the ortions caused by the *voto vinculado* in 1982. Above all, the victory Saturnino Braga and his Vice-Prefeito, Jó Resende, in Rio de eiro, enormously strengthened the position of Brizola, especially en combined with victory in Rio Grande do Sul and his marked cess in other states.⁴⁴ Quadros elected in São Paulo, Brizola mphant in Rio, the PMDB tattered, divided and confused, all nted to precisely the polarisation of politics which Tancredo had ant to avoid.

The results in São Paulo particularly brought home the persistent ngth of the right. The appeal to São Paulo's 4.8 million electors was iced not only with Brazil's most wealthy state, but with the ntry as a whole. As Antônio Delfim Neto put it before the election: io is our hope of avoiding a PMDB take-over of the country.⁴⁵ l backed by such men as Delfim, Herbert Levy, Olavo Setúbal and,

uthor, 4 March 1986.

ja, 20 November 1985, p. 40.

n the elections for *prefeito*, see especially *Vez*, 6 November, 13 November and 20 November 85. On Brizola's position especially see 20 November, pp. 52-5.

ja, 6 November 1985, p. 36.

towards the end of the campaign, by Aureliano Chaves, Jânio Quadros was the hope of the right. The heads of some companies openly supported Cardoso, but the great weight of the business community, expressed through the PFL, was with Quadros.⁴⁶ In part the vote for Quadros was a vote against the government of Franco Montoro, but his victory essentially came from two quarters, from the most marginal and poor areas of the city, where his colourful, often wild, rhetoric seemed to have much appeal, and from the entrepreneurs, who saw success for Jânio as opening the way for Setúbal as governor in 1986 and for a PFL president of the Republic in 1988.⁴⁷ Leaders of the PMDB now became increasingly concerned over the resurgence of the right and, perhaps even more significantly, over the ability of the PMDB, both in São Paulo and nationally, to halt it.⁴⁸

The immediate polarisation of politics, as had been predictable in the event of victory both for Jânio in São Paulo and Saturnino Braga in Rio, was now around Jânio and Brizola, who both, after a quarter of a century, again found themselves at the centre of the political stage. One other person who emerged strengthened from the elections was Sarney, a fact stressed by some leaders of the PFL, such as Herbert Levy in São Paulo, who saw the President as freed from the pressure of more left-wing groups in the PMDB, and with more freedom of action: 'Sarney will now be able to form his own ministry.'⁴⁹

The need to work with the heterogeneous ministry composed by Tancredo Neves had become an increasingly evident disadvantage for Sarney in the months leading to the November elections, with contradictions and tensions, for instance, between Francisco Dornelles, an orthodox, conservative economist at the Ministry of Finance, trying to curb spending (as Tancredo had insisted in his inaugural speech) and João Sayad at Planning, stressing the need for growth and social spending. Aware of such tensions, of his lack of congressional base and of the mistrust of many in the PMDB, Sarney had attempted, like Quadros in the past, to appeal over the head of Congress directly to the people. One such, though maladroit, appeal was over the question of land reform, hoping for the direct support of the church. A victory for Cardoso and, in consequence, a strengthened PMDB, would have left

⁴⁶ *Veja*, 6 November 1985.

⁴⁷ *Veja*, 6 November 1985, pp. 36-41.

⁴⁸ This came out clearly in an interview in Rome with Fernando Henrique Cardoso in late January 1986, a view he later expressed more forcefully and publicly.

⁴⁹ *Veja*, 20 November 1985, pp. 43, 48-50.

even more the prisoner of the party. And Levy was right; the test would come in the new year, with the change of ministry. That change, when announced in February 1986, brought even deeper gloom to the PMDB. It seemed that Ulysses Guimarães, for example, had been pointedly ignored and humiliated, unable to gain acceptance for his candidates for Social Welfare and for Education, and unable to prevent the promotion of Marco Maciel to Casa Civil, now enormously strengthened in its command of resources and range of possibilities. The new ministry bristled with ex-UDNistas.⁵⁰ Apart from Sarney himself, they included Aureliano Chaves, Abreu Sodré, George Bornhausen, Antônio Carlos Magalhães and Aloísio Alves. Even some of the PMDB members, Paulo Brossard, was a former member of the liberal wing of the UDN. The PMDB was left, as some people had predicted, with some of the most difficult portfolios, those most likely to put them in the firing line. The two party members with greatest responsibility were Dilson Funaro, who continued in Finance, and Arnaldo Pazzianotto in the Ministry of Labour, but the president's overall attitude seemed to be expressed by the fact that Celso Furtado, at last brought into the government, was given the Cinderella post of Minister of Culture.⁵¹ The former Minister of Agriculture, Pedro Simon, expressed the feeling of many in the PMDB, when he said that the party would break with a government which only gives us the blame and not responsibility. . . .⁵²

The new Ministry reflected not only the 'Bossa Nova' UDN of Sarney's past,⁵³ with its close ties to the old PSD of Tancredo and Ulysses Guimarães, but a strong, clear preference for the PFL, especially in the greatly increased powers given to Marco Maciel in the Casa Civil. Formally, Maciel has more power than even Golbery had in the same job. On 19 February 1986, Sarney signed a decree conferring new powers on the Casa Civil, which, previously, was there simply to advise the President.⁵⁴ Now it has direct control of two of the most politically important funds in the country (Sarem) which, among other things, mediates the obligatory resources to states and *municípios* and

the journalist remarked that the ARI-NA men of the day before yesterday, the PDS men of yesterday, are now 'liberals' and continue in power -- even stronger than before. *Senhor*, 18 February 1986, p. 24.

⁵⁰ *Senhor*, 18 February 1986, pp. 33-4.

⁵¹ *Senhor*, 18 February 1986, p. 33.

⁵² *Senhor*, 25 February 1986, pp. 22-3. This was a more reformist and nationalist group within the UDN.

⁵³ *ibid.*, pp. 28-9.

determines the priorities of loans to state and municipal government; and of the FAS (Fundo de Assistência Social), through which the resources of the Caixa Econômica Federal are directed for the building of schools and other public buildings. But the new powers of the Casa Civil are even more extensive than this, leaving, for example, as someone said, the Minister of the Interior, Ronaldo Costa Couto, only with responsibility for Indians.

Some of the PMDB were partly appeased, for example, Miguel Arraes, who was pacified by being allowed the nomination of the head of SUDENE,⁵⁵ but the general reaction was one of shock and anger. The political composition of the new ministry at once gave further impetus to the move to form a new *frente esquerdista*, which already had been discussed in a meeting between Fernando Lyra (previously Minister of Justice), Pedro Simon (previously Agriculture), as representatives of the so-called *esquerda independente*, and Leonel Brizola.⁵⁶ Another who had shown some interest in this idea was the Minister of Labour, Almir Pazzianotto, who also had visited Brizola. In São Paulo, especially, the growing concern over the strength of the right brought new tensions in the PMDB, now firmly controlled by the Vice-Governor and candidate for Governor, Orestes Quéricia.⁵⁷ By the end of February it was clear that the tensions between Quéricia and other leaders of the party in São Paulo, notably Fernando Henrique Cardoso and Almir Pazzianotto, were widening. In an interview Cardoso stressed his concern to pull the PMDB further to the left, the only alternative at a national level being to join forces with Brizola,⁵⁸ and in March 1986 Brizola was delighted to go to São Paulo for a meeting at Cardoso's home.

The same tendency was apparent in Rio de Janeiro, where many in the PMDB were trying to decide between the Frente Progressista or the Aliança Democrática, essentially to join forces with Brizola or the PFL. There was talk of the PMDB mayor of Petrópolis, Paulo Rattes, moving towards the PDT, as well as one of the most respected party leaders in Rio, Arthur de Távola and, perhaps the greatest coup of all, Wellington Moreira Franco, PDS candidate for governor in 1982.⁵⁹ The

⁵⁵ Roberto Magalhães, Governor of Pernambuco (PFL), threatened to join forces with his arch-enemy Brizola, *ibid.*, pp 29–30.

⁵⁶ *Senhor*, 11 February 1986, p. 28.

⁵⁷ *Senhor*, 25 February 1986.

⁵⁸ Interview, Rome, January 1986. See, too, interview Fernando Henrique Cardoso, *Senhor*, 4 March 1986.

⁵⁹ *Senhor*, 25 February 1986, p. 32.

the party system was, evidently, enormously fluid, unstable and uncertain. By late February the PMDB was even seeking to distance itself formally from Sarney, especially in the run-up to November's elections, not wanting to be identified with such a conservative ministry. There was talk of a policy of non-alignment, of not automatically supporting the President. It was proposed that in the election of 4 March the leader of the *bancada* of the PMDB the person elected should be independent of the leader of the government in the Chamber.

When all was poised for confrontation, with Sarney looking politically more shaky than at any time since he took office,⁶⁰ suddenly, at the end of the month, came the Cruzado Plan, with its direct appeal to the people over the heads of party and Congress. The *caciques* of the PMDB were taken completely by surprise, with even Ulysses Guimarães learning of the new proposals only on the Thursday night.⁶¹ It now seemed that, in sharp contrast to the relatively right-wing ministry announced earlier in the month, Sarney was, in effect, committing himself to the PMDB, to a plan which contained a number of PMDB demands,⁶² drawn up by PMDB economists and depending for its success, in large part, on two PMDB ministers, Funaro and Zizianotto. The Plan, in this respect, tied Sarney to the PMDB rather than to the PFL in the crucial run up to the election, but, equally, at least in the short term, it tied the PMDB to the President. Some former members of his government could voice their criticism,⁶³ but those PMDB leaders who had been threatening withdrawal from the Democratic Alliance and no further support for Sarney, now had to back-pedal swiftly. There could be no immediate electoral mileage in losing Sarney, as was recognised by PMDB Congressmen, who immediately ended their planned revolt and, on 4 March, re-elected, as their leader in the Chamber, Pimenta da Veiga, with 143 out of 153 votes; the next day da Veiga happily accepted Sarney's invitation to be government leader as well. Funaro was given a long, standing ovation in

the two days before the announcement, Fernando Henrique Cardoso in an interview in the *Jornal do Brasil* had made one of the most scathing attacks so far by a PMDB leader on the government, declaring that the New Republic was really no different from the Old, and that the Democratic Alliance had broken up (see *Veja*, 5 March 1986, p. 36).

As Fernando Henrique Cardoso admitted, *ibid*. Even Federal Deputies further to the left, such as Alberto Goldman of the PCB (Brazilian Communist Party) and Haroldo Lima of the PC do B (Communist Party of Brazil) praised, for example, the attempt to protect wages, *ibid*. And, for instance, Francisco Dornelles, former Minister of Finance, 'The measures will profoundly affect the private sector, the financial system and wages. . . . Overall, the package is recession', *ibid*. p. 27. This, and other criticism quoted here, still contrasts sharply with the praise from other former Finance Ministers, such as Octavio Bulhões and Mario Henrique Simonsen, *ibid*.

the Chamber and Sarney was acknowledged to have made a remarkable, dramatic political recovery.⁶⁴ The immediate loser was recognised to be Brizola, whose thunder, in part, had been stolen and whose criticism of the new measures seemed to smack of peevishness or pique.⁶⁵ His basic criticism of the package, however, as to its effect on real wages, and the improbability of employers, businessmen, and the 'dominant classes' in general, cooperating with it over a long enough period, still remained to be answered.⁶⁶

After the Plan? The workers and the unions

Although he lost ground, even among some of his strongest supporters, many of whom were acting as Sarney's watchdogs in supermarkets, Brizola's criticism of the Plan showed, once again, his remarkable political instinct and his intuitive grasp of the realities of Brazilian politics. In the weeks that followed the introduction of the new measure, various sections of the working class, especially the CUT, voiced their disquiet at the impact on real wages. The leaders of CONCLAT met Sarney and Pazzianotto and expressed their support. One spokesman, Rogério Magri, said this support would be 'unlimited': 'if the package fails, it is not just the government that is in trouble, but the workers as well. . . .'⁶⁷ Joaquim dos Santos Andrade, national organiser of CONCLAT, said that, while the Plan hit the workers, it did contain items that helped them, for example, the price freeze and unemployment benefit. By contrast, Jaír Meneguelli, president of the CUT, which is linked to the PT, described the changes as 'confiscation', which could not be permitted, and Paulo Renato Paim, CUT's secretary-general, said that 'they have put their hands in our purse'.⁶⁸ DIEESE (Trade Union Department of Statistics and Socio-Economic

⁶⁴ On the eve of the Plan he strongly disclaimed any direct political interest, telling Ministers and advisers: 'You all know how I came to the presidency. I have no commitment to any political or economic group whatsoever and I am not a candidate for anything. What I do know is that Brazil needs a reform like this one. Let's get on with it. . . .' *Veja*, 5 March 1986.

⁶⁵ In the weeks leading up to the Plan, Brizola's supporters had grown more hopeful in their opposition to the government and their aim to reduce Sarney's mandate to three years. *Senhor*, 11 March 1986, pp 27-8. Brizola's television speech of 7 March was much criticised for being misinformed and opportunist. See, for example, *Veja*, 12 March 1986, pp 36-7. Also *Senhor*, 18 March 1986, pp 52-3.

⁶⁶ *Ibid.* Others, such as Fernando Henrique Cardoso, also commented that it would take some months for the success or failure of the Plan to be seen. *Veja*, 5 March 1986, p 39.: 'Either we'll be saved or we'll be in a similar situation to that of Argentina'.

⁶⁷ *Veja*, 12 March 1986, p 38. See, too, *Senhor*, 11 March 1986, pp 42-3.

⁶⁸ *Veja*, 12 March 1986, p 38. For severe criticism see the piece by Franklin de Oliveira, *Senhor*, 18 March 1986, p 73.

Studies) agreed with this, calculating that the conversion of wages from cruzeiros to cruzados, on the basis of average wages over the last six months, implied an average cut of about 20 per cent, while some workers, especially bank employees, were hit even harder. Their six-monthly adjustment, based on inflation, which was due in March, would have given a rise of 105 per cent: under the new law they obtained only 62 per cent.⁶⁹

Just before the Plan was announced, preparations were being made for a series of strikes, especially in São Paulo, and, only a week before the announcement, Meneguelli and the CUT drew up schemes for a general strike. However, one persistent weakness of trade union organisation and action in the recent past has been the division between CONCLAT and CUT, which has substantially reduced the unions' capacity for united protest. Their disagreement over how to respond to the Plan, coupled with Sarney's popularity because of it, his appeal to the people for support, and the measures to which CONCLAT referred, ruled out the chance of any immediate, vigorous response. When Luís Gushiken, president of the Bank Workers' Union of São Paulo, tried, on the night of 6 March, to organise a public protest over the impact on the bank workers' wages and the possible loss of jobs,⁷⁰ only a few dozen people turned up: 'Our people are confused and still don't see the truth hidden in this Decree Law'.⁷¹

Pressure from the unions, on the other hand, was sufficient to win from the government, on 17 March, the concession which decided that, at the time of wage negotiation, workers would automatically be allowed a rise equivalent to 60 per cent of the rate of inflation, with the other 40 per cent to be negotiated.⁷² This concession which finally was decided by Sarney, represented a victory for Pazzianotto and was seen as something of a set-back for Funaro,⁷³ in that it represented a return to

⁶⁹ *Veja*, 12 March 1986, p. 38. The question, it must be said, is not simple. One calculation suggests that, as from 1 March, in terms of the new law, the average wage will be less than in the past six months, only if inflation were to run at 2.5 per cent a month or more. For details and a useful table, see *Veja*, 19 March 1986, p. 42.

⁷⁰ Bankers, feeling themselves badly hit by the changes, spoke of the need for very substantial cuts in staff. See *Veja*, 12 March 1986, p. 30, and 19 March, pp. 52-3. Also *Brazil Information* No. 24, April-May 1986, p. 1.

⁷¹ *Veja*, 12 March 1986, p. 38. Meneguelli's doleful remark: 'Now, after the package, there is no climate in which to talk of a general strike', *ibid* p. 64.

⁷² Decree Law No. 2, 284. See above p. 1158 and Note 17.

⁷³ See *Veja*, 19 March 1986, pp. 42-5. 'Um passo para trás' ('A step backwards.'). Also *Senhor*, 18 March 1986, pp. 28-32. The conservative *Estado de São Paulo* said ironically that this new law confirmed the Sarney government's 'option for the poor', the phrase associated with 'liberation theology'.

indexation. Other authors of the Plan, such as Arida, also thought it too early to make changes, while others thought it of little importance. 'How much is 60 per cent of zero?', asked Calabi. But employers were dismayed, since the decree did not allow them automatically to pass on the guaranteed wage increase by a corresponding rise in prices. The key issue, clearly would be the rate of inflation.⁷⁴

The concession showed the government's awareness of the need to placate the unions. Pazzianotto was frank with his fellow ministers: 'I have an agreement with the union leadership and will have difficulty negotiating the package if I go back empty-handed. . . .'⁷⁵

However, even with the concession, the reaction of the CUT was different. Walter Barelli, technical director of DIEESE, still described the new version of the decree as a 'retrocession', saying that, previously, salaries were wholly adjusted, but now by little more than half, and the director of CUT in São Paulo, Heiguelberto Della Bella Navarro, was even more severe: '... It is even worse than the law of dictatorship which at least guaranteed 80 per cent of inflation. . . .'⁷⁶

One month after the announcement of the Plan, in the first week of April, there was a rash of strikes, even though in March prices actually fell by 1.4 per cent, the first price fall since 1931.⁷⁷ In Rio de Janeiro 140,000 teachers in state and municipal schools stopped work, and in São Paulo nearly 6,000 workers on the underground paralysed the system for three days. At the same time, bank workers promised to go on action the next week against banks which sacked workers in reaction to the Plan.⁷⁸ Workers in shoe factories in Franca, a city which exports US\$150,000 in shoes a year, organised a strike to protest against a loss of 25 per cent through the new measure. Telephone workers went on strike in Riberão Preto, while striking metalworkers of Honda Caloi in Manaus obtained a ruling from a judge of the Regional Labour Tribunal that the Constitution did not allow cuts in wages. Meneg

⁷⁴ See the comments of Luis Eulálio de Bueno Vidigal Filho, president of FIESP (Federation of Industries of the State of São Paulo), *ibid.* Another employer did note, however, that allowing prices to be passed on automatically did not mean they could not be passed on. 'The critics of the measure introduced yet another neologism, *pazzianotto*, meaning, for an attempt to destabilise the economy.'

⁷⁵ *Ibid.*, p. 45

⁷⁶ *Ibid.*

⁷⁷ *Vez*, 9 April 1986, p. 20. Also see the useful article *ibid.*, pp. 100-3, which examines these falls in detail. It suggests that preliminary estimates of the IBGE (Brazilian Institute of Geography and Statistics) put the fall at 1.8 per cent.

⁷⁸ Luis Gushiken in São Paulo claimed that over one hundred jobs a day were being lost in the city of São Paulo. Work, therefore, was stopped on the previous Friday in twenty-eight banks in the city and more disruption was promised, *ibid.*

head of the CUT, which represents 1,300 unions throughout the country, was quick to comment: 'This is the start of disillusion with the package . . . From now on mobilisation will tend to grow.'⁷⁹

Meneguelli is probably right, but there is still no sign, at the time of writing,⁸⁰ of serious working class or trade union protest:⁸¹ there is still widespread support for Sarney and the Plan. But relations with the unions and the question of wage negotiations is an issue which the government rightly sees as crucial to its success. The initial noisy enthusiasm already has faded and, while the people may find that their pay packets will buy much the same, or even slightly more, next month than this, they are also fully aware of how small those pay packets are. They may, indeed, be more aware than in the past, since indexation, with its twice-yearly adjustments, partly gave the illusion—for those in work—that things were improving. One Brazilian social scientist already has suggested that the end of inflation may even provoke rather than lessen social unrest, since in some respects it makes the workers realise even more clearly just how poor they are. The Plan, to be fair, was never presented as more than a stabilisation programme, but there is now a more urgent political need than ever before for the government to tackle the horrendous social problems of poverty and deprivation which it inherited from the post-1964 regime. Already Sarney and his team have accepted this responsibility, but the task is formidable.⁸²

Veja, 9 April 1986, p. 20. The teachers' strike in Rio de Janeiro was particularly embarrassing for Brizola and the mayor, Saturnino Braga, who had condemned the Plan for its depression of wages. The State Teachers' Centre (CEP) claimed that their wages, in Brazil's second richest state, were substantially lower than that of equivalent colleagues in Acre or Mato Grosso do Sul. A teacher starting work in one of the CEPs, the integrated schools, on which Brizola has lavished money and of which he is rightly proud, earned, it was claimed, less than the man on the nearby corner, the *apontador* of the *jogo do bicho* (animal game), a sort of 'bookie's runner'. Brizola, as with earlier strikes (of doctors, for example) refused to negotiate 'with a knife at my chest'. Interestingly, eight hundred parents in Nova Iguaçu, a Brizola stronghold, even though their children had lost their school meals because of the strike, organised a rally in support of the teachers.

Early June 1986. However by late May, one source did suggest that up to 600 strikes were being prepared. *Senhor*, 20 May 1986, p. 25.

One interesting development, which may help more effective organisation, was the appearance in late March of a new CGT (*Central Geral dos Trabalhadores*). The new organisation, which has been criticised, especially by the CUT, as a new way of presenting CONCLAT, has the stated aim of uniting the trade union movement. It has adopted the initials of the *Comando Geral dos Trabalhadores* of the 1960s, which put strong pressure on Goulart to introduce basic reforms and became a prime target after the coup of 1964. The PCB (Brazilian Communist Party), again made legal, was prominent in the CGT's congress in São Paulo state, attended by 6,000 workers. Cooperation between CUT and the CGT was achieved in late May during the debate in Congress on job security legislation (*Senhor*, 27 May 1986, p. 25), but it was hard to keep up. For a government statement of its aims and achievements in the first year of office, see 'Governo José Sarney—Ano. 1. O Brasil Mudou.' *Veja*, 19 March 1986. For a detailed study, again based

The 'classes dominantes'

Many people, the government included, shared Brizola's doubts about the probable reaction of bankers and financiers, industrialists, employers, the owners of supermarkets and those whom he called the *classes dominantes*. In public, virtually everyone, with the notable exception of the bankers and financial speculators, welcomed the Plan. In private, their views and behaviour were often different.

One fear, from the start, as prices were frozen, concerned supply (*abastecimento*), the danger of empty supermarket shelves, shortages, perhaps rationing, and consequent protest.⁸³ One of Brazil's biggest retail shop-owners, Arthur Sendas, president of Casa Sendas of Rio, thought a price freeze could only last a short time: 'If it continues for an indefinite period, within two months we will have shortages of all kinds of goods.'⁸⁴

Within a week of the Decree Law there were reports of such shortages throughout the whole country, sugar and rice in Brasília, eggs and vinegar in Rio de Janeiro, soap powder and tinned goods in São Paulo, and the press showed pictures of empty shelves, sometimes with notices blaming the suppliers. Often it was a matter of negotiating the price of supplies, as in the motor industry, where the factories refused to pay the price of parts because it included the inflation costs of February. The cause of the trouble, in many cases, was not a refusal to cooperate with the government, but simply the fact that it had frozen retail prices, but allowed suppliers and store owners to negotiate wholesale prices.⁸⁵ The problem ran right through the chain of supply. In the case of meat, for example, the beef farmers said they could not sell at the prices required, so the cold storage owners refused to buy and there was no meat in the shops. Funaro threatened that, if agreement were not reached, he would go for massive imports,⁸⁶ but then came a problem with rice. There were anomalies everywhere, with some products priced at less than the cost of production, and some costing more at a huge

on an ESRC project, of the problem of poverty and of one aspect of the social security system, to which Sarney's government has promised to give urgent help, see: Elizabeth Allen: *Poverty and Social Welfare in Brazil. A Challenge for Civilian Government*, Institute of Latin American Studies, University of Glasgow, Occasional Paper No. 44 1985.

⁸³ See *Senhor*, 18 March 1986, pp 49-51, and, especially, 18 March, pp 32-4.

⁸⁴ *Veja*, 12 March 1986, p 32.

⁸⁵ *Brazil Information*, No 24, April-May 1984, p 1.

⁸⁶ *Veja*, 19 March 1986, p 41.

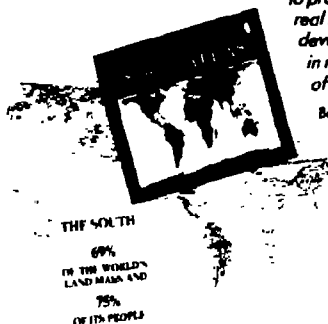
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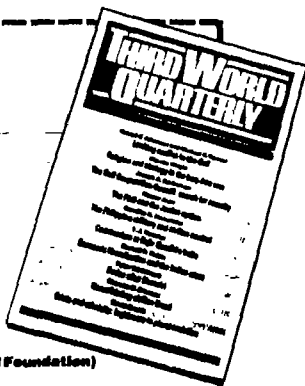
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distance away than they did at the place they were made.⁸⁷ Part of the problem was that no one was used to living without inflation. Previously costs were put up in anticipation of inflationary rises, and some people did not even know their production costs.⁸⁸ All kinds of dodges were tried, putting one cigarette less in the pack, selling underweight (often wildly) and, as always in Brazil, even if the government took offences seriously, the people found cause for laughter.⁸⁹

Despite shortages and price anomalies, there was a rush to buy, especially among the middle class who went on a spending spree⁹⁰ and, despite earlier fears, there seems to be relatively little evidence of deliberate attempts to sabotage the plan in terms of supply. There were, however, pressures from other quarters. Bankers, who had profited enormously from inflation, were aghast to find they had to survive on interest rates of between 2.3 and 3.7 per cent a month.⁹¹ Funaro, enjoying the general applause of the nation, found a cool reception on 14 March, when addressing Febraban (Brazilian Federation of Bank Associations⁹²). Instead of making concessions, which many of his audience had expected, he urged them to adjust to the new rules and try to trim their costs,⁹³ a message repeated by Sarney in a newspaper interview: 'The government is determined that the programme should not be sabotaged or boycotted . . . Whoever sets himself up against the programme will be overwhelmed by the will of the nation. . . .'⁹⁴

⁸⁷ *Ibid.*, 2 April 1986, p. 26. 'Bombril' (a kind of Brillo pad) was fixed at a price lower than the cost of production. A tin of Vienna sausages cost 6.64 cruzados in Santa Catarina (where it was made) but its price in Fortaleza, over 4,000 kilometres away, was fixed at 6.40.

⁸⁸ *Veja*, 2 April 1986, pp. 20-6.

⁸⁹ On Monday, 28 April, one of Brazil's most popular television comedians, Jo Soares, did a sketch as the 'Fiscal do Sarney' (the lady watch-dog of Sarney), indignant that a toilet roll which she had bought contained half a metre less than it should. He did not know, at the time, that over 1,500 kilometres to the south, in Rio Grande do Sul, the Federal Police had discovered that *Rom Dia* (Good Morning) toilet roll was 8 metres short in every roll (27 instead of 35). 'Just as well I warned them', said Jo.

⁹⁰ *Brazil Information*, Rio de Janeiro, (24) April-May 1986, p. 1.

⁹¹ *Veja*, 12 March 1986, p. 28. Especially see *Senhor*, 18 March 1986, pp. 57-60.

⁹² *Ibid.*, 19 March 1986, p. 36.

⁹³ *Ibid.*, pp. 52-3. The incoming president of Febraban, Antônio de Padua Rocha Diniz, asked the government to minimise the difficulties of 'transition'. Funaro replied that bankers must first show that they had done everything possible to cut costs. For other evidence of pressure from bankers and of government resistance, see *Senhor*, 11 March 1986, p. 38, and, especially, pp. 43-5.

⁹⁴ *O Globo*, 16 March 1986. In the first weeks after the announcement of the Plan the police were called upon to try to discover the source of waves of rumours, especially in Rio and São Paulo, of the imminent collapse of banks, especially when, in only two days in early March, more than 600 million cruzados were withdrawn from the Banco Itaú in São Paulo by frightened customers. Again, the government and the bankers had to give reassurances that no such threat existed. *Veja*, 19 March 1986, pp. 54-5.

The bankers continued to grumble and to exert pressure, but the was general agreement, at least in public, that painful adjustments were necessary. There were some exceptions, as, for instance, in the textile and clothing trade, which, as in Argentina, in response to the Austral Plan, now defied the Cruzado Plan, taking advantage of seasonal changes and shifts in fashion to put up prices by 16 per cent in March and by 5 per cent in the first week of April.⁹⁵ It was not, however, the price of dresses which made the difference; the real challenge lay elsewhere. The stock market, enjoying the biggest boom in years, suddenly was hit by a government decision that the pace of growth was too fast.⁹⁶ This provoked the comment that the most serious threat to the Plan lay within the government itself,⁹⁷ a subject which was now aired publicly pointing to tensions and sharply different priorities even among Sarney's own ministers. One analysis divided the 'saboteurs' of the Plan into five groups. First were the 'spending ministers', especially Íris Resende, Minister of Agriculture,⁹⁸ then Aureliano Chaves of Mines and Energy, José Reinaldo of Transport, Vicente Fialho of Irrigation and Deni Schwartz of Urban Development. A second group was made up of ministers who acted within government as the spokesmen of business interests, trying to win exceptions in particular cases to put up prices. The bankers came third, arguing that only higher interest rates could prevent the massive dismissal of employees, followed by certain politicians of both the PMDB and PFL, with their eyes fixed on the elections of 15 November, asking for special government help for clients or supporters. Finally, came the state governors, pressing, for example, for greater autonomy for their state banks in spending and making loans and, in effect to be exempted from the rigours of the Cruzado Plan. Resende was persistently pressing to allow higher prices, at one time for meat, at another for rice, and he wanted to spend heavily on, for example, development in Amazonas.⁹⁹ He had to be firmly resisted by Funaro, who was under constant pressure to end the freeze on prices. Aureliano Chaves was angry over the report which listed him among the 'saboteurs' or 'enemies of the package',¹⁰⁰ but the demands he was making for heavy state spending on, for example, Eletrobrás, asking for one billion and two hundred million dollars to cover its external debt and

⁹⁵ *Senhor*, 22 April 1986, pp 45-7.

⁹⁶ *Veja*, 23 April 1986, p 19.

⁹⁷ *Veja*, 30 April 1986, p 20.

⁹⁸ *Ibid.*, pp 20-5.

⁹⁹ *Ibid.*, p 22.

¹⁰⁰ *Senhor*, 6 May 1986, pp 30-2. 'Os inimigos do bom senso.' Also *Veja*, 30 April 1986, pp 22-3.

investments in 1986, were rightly regarded as fuelling inflation. He also, with other spending ministers, resisted government plans to impose tighter controls on his ministerial budget, because the changes suggested would lessen the political power and patronage of the ministry. He and other ministers joined forces with private interests to lobby their colleagues and, above all, the President. Often enough their demands were justified in terms of the job which needed to be done, as when Íris Resende urged the need to spend Cz\$70 billion on essential projects to stimulate agriculture.¹⁰¹ The Ministry of Fazenda, on the other hand, complained of ceaseless pressure from agricultural lobbies ('the meat lobby, the rice lobby, the maize lobby') all asking for money which could not be given. Aureliano Chaves drew criticism mainly because, as Minister of Mines and Energy, he headed a vast state within a state, containing some of the biggest and most expensive state companies within the economy. There was growing concern, in any case, over the size of the national deficit, to which state companies made such a contribution.¹⁰² The President and the defenders of the Cruzado Plan were all too aware that special treatment or concessions to one ministry could undo everything they were trying to achieve; but the pressures were increasingly strong, and ever more difficult to resist, with Brizola and other critics of the Plan waiting in the wings.¹⁰³

Sarney

Most of the pressure fell, and still rests, on Sarney, who has committed himself passionately to the success of the Plan and to whom, so far, it has brought rich political dividends. People noted the sense of mission with which he approached it ('This is my mission and I am going to carry it out'),¹⁰⁴ with the idea that destiny had worked in curious ways to bring him to the presidency for this purpose: '... a simple man brought by the caprice of life not only to this office, but also to take a decision which has generated the greatest economic change in the history of the country.'¹⁰⁵

¹⁰¹ *Ibid.*, pp 31-2.

¹⁰² On the problem of the deficit, which some people forecast could reach 5 per cent of GNP by the end of the year, see *Senhor*, 13 May 1986, pp 48-50. Funaro, again spoke of 'saboteurs' of the Plan and in an interview, on 7 May, said the government was doing everything to contain public spending. The state companies, it was estimated, were responsible for a deficit of 2.5 per cent of GNP. One result of the growing worry over the deficit was a quickening of plans to reform the banking system. Also on the deficit see the interview given by Minister João Sayad to *Jornal da Tarde*, 13 May 1986, and *Senhor*, 20 May 1986, pp 32-4.

¹⁰³ *Veja*, 30 April 1986, p 25.

¹⁰⁴ See the interview with the Minister of Justice, Paulo Brossard, *Veja* 12 March 1986, p 6.

¹⁰⁵ *Ibid.*, p 8.

A survey suggested that over 90 per cent of the population supported the stabilisation programme,¹⁰⁶ and, wherever he went, Sarney was warmly welcomed, as he spoke of the vital importance of the Plan and the need for popular support.¹⁰⁷ Comparisons were made, inevitably, with Brazil's most successful populist leader, Getúlio Vargas,¹⁰⁸ including the way in which Vargas used two different parties, the PSD and the PTB, to draw support from the conservative interior as well as support from the mass of urban workers. Sarney less than two years ago headed the PDS; in late March he became honorary president of the PMDB and, two weeks later, was made 'patron' of the PFL. This, in theory, brought him massive backing in Congress, since, in addition to the 252 deputies and senators of the PMDB and the 128 of the PFL, which made up the Democratic Alliance, he should be able to count on the help of the small *bancadas* of the PTB and of the Communist parties and of some of the PDS.¹⁰⁹ His support among the middle class was extremely high, with 82 per cent thinking that his government was very able and only 2 per cent thinking, after the Plan, that inflation would rise a lot, as compared to 51 per cent who thought so before its announcement.¹¹⁰ Some of the President's admirers argued that Tancredo Neves would not have had the imagination to launch the Plan,¹¹¹ while the resemblance to Getúlio Vargas was brought out even more strongly, when, on 1 May 1986, Sarney, flanked by Ulysses Guimarães and Pazzianotto, defined, in a televised speech, the social priorities of his government: 'We come to 1 May with head held high, able to shake hands with all the workers of Brazil.'¹¹²

He signed the regulation for unemployment benefit, promised to send soon to Congress a bill freeing those who were retired or living on pensions from the need to contribute to the social welfare fund and announced that, in future, a representative of the workers and the Minister of Labour would sit on the National Monetary Council (CMN) responsible for major economic policy. The scheme for unemployment

¹⁰⁶ *Veja*, 30 April 1986, p. 20.

¹⁰⁷ *Senhor*, 22 April, 1986. The President proudly announced on 15 May figures which showed that 72 per cent of all the television sets in the country were switched on for his speech of the night before.

¹⁰⁸ See, for example, José Bardawil, 'José "Getúlio" Sarney' (*Senhor*, 25 March 1986, pp. 37-8) stressing Sarney's growing control over the parties of the Democratic Alliance and his aim to strengthen his party support, perhaps by building his own party.

¹⁰⁹ *Veja*, 9 April 1986, p. 25.

¹¹⁰ See the survey of middle-class opinion reported in *Senhor*, 29 April 1986, pp. 36-8.

¹¹¹ Luis Gonzaga Belluzzo, *Veja*, 12 March 1986, p. 65.

¹¹² *Senhor*, 6 May 1986, pp. 32-4.

benefit was only a modest one and the representation on the Council mainly symbolic, but it was enough to allow it to be described as: 'the greatest advance in the social sphere since the labour laws brought in by Getúlio Vargas . . .'.¹¹³

Here was Sarney taking on Vargas's mantle of 'the father of the poor': 'The President's concern for history is evident. Having carried through the economic reform, Sarney is now going for social change. The next step . . . agrarian reform.'¹¹⁴

There were, at the same time, however, those who warned of the dangers of direct appeals to the people, of the tendency to neglect or disparage Congress, not just in the announcement of the stabilisation programme, which arguably had to be produced without warning, but, once again, in the case of this social legislation. Delfim Neto, warning of the dangers in terms of supply, added caustically that, in mobilising the people in support of the Plan, 'they have put a tiger in the streets. Now they have to watch out for it.'¹¹⁵ Even those generally in favour of the contents of the Plan were alarmed at the populist style. Instead of building and strengthening democratic processes and institutions, the 'New Republic' seemed to be stepping backwards, reverting to demagoguery and the cult of personality, with the President's emotional appeal for help leading directly to violence, the sacking of shops and bars and the unleashing of deep, long-nurtured dislike of shop-keepers and traders, associated in the past with rapidly rising prices.¹¹⁶ The content of Sarney's populism might be different from that of Quadros in São Paulo or Brizola in Rio de Janeiro,¹¹⁷ but the nature of the appeal

¹¹³ *Ibid.*, p. 33. —Unemployment benefit was to be 70 per cent of the minimum wage (Cr \$562.80) for workers who had earned, on average, 1.4 minimum wage (Cr \$1,125.60) in the three months before being unemployed, and 150 per cent of the minimum wage (Cr \$1,206.00) for those who were earning three minimum wages. Those who earned between 1.5 and three minimum wages would get 50 per cent of their basic pay (based on the average of the last three months, calculated by adding the wages for those three months and dividing by three.) Benefit would last for up to four months in any period of eighteen months, but would start only after seventy-five days of unemployment. Initially, this was to have been forty-five days, but there were fears of the impact on the deficit.

¹¹⁴ *Ibid.* See also Mauricio Dias, 'Sarney descobre o povo', *ibid.*, pp. 35–6.

¹¹⁵ *Veja*, 12 March 1986, p. 29.

¹¹⁶ See the very stern article by Elio Gaspari, 'A democracia dispensa xerifes', *Veja*, 12 March 1986, pp. 58–9.

¹¹⁷ See the comments of Uchôa Cavalcanti in M. Dias, *op. cit.*, *Senhor*, 6 May 1986, p. 36. He distinguishes between Sarney's attempt to find popular support for modern capitalism, aiming for modernisation and long-term growth, and Brizola's concern for redistribution of income and less social injustice. The distinguished lawyer, Raymundo Faoro, deplored the use of decree-laws (*ibid.*, p. 35), while Carlos Nelson Coutinho explained the force of Brizola's reaction to the *pacote* as stemming, in part, from the fact that Sarney was appealing precisely to Brizola's own constituency, 'the less organised sector of society', *ibid.*, p. 36.

was similar. One feature of it, in the case of Sarney, which alarmed many of those who hoped to see democracy strengthened in the 'New Republic', was the assumption that the President could be, and was, above party or group interest and therefore able to short-circuit the system when he chose.¹¹⁸ The Plan and Sarney's appeal to the people, in effect, subordinated party politics to the 'President's project',¹¹⁹ at once both reflecting and adding to the fragility of party politics after twenty-one years of military-backed government.¹²⁰

The parties

Of all the questions of Brazilian politics at the start of the 'New Republic' and in the wake of the Cruzado Plan, the question of the parties is one of the keenest. Brazilian experience has shown how much easier it is to damage than to rebuild a political system and the long years of military rule have left the party system, in particular, weak and in disarray. The elections of November 1982 led, as seen already, to a deep crisis and subsequent split in the PDS, and in Rio de Janeiro left the PMDB demoralised and under pressure from Brizola and the PDT. Especially in the first months of office, the PDT used most of its weight against the PMDB rather than the PDS, cutting resources, for instance, to PMDB mayors to persuade them to move into Brizola's camp. In São Paulo, by contrast, the PMDB emerged strengthened and confident from the elections of 1982, giving a lead to the party throughout the whole country, suggesting that in the years ahead the PMDB would probably become the natural 'party of government', democratic, reformist and somewhat left of centre.¹²¹ It was, however, easy to exaggerate the strength of the party, even in São Paulo, where it

¹¹⁸ See Sarney's own remark, p 1172, note 64 above.

¹¹⁹ *Senhor*, 6 May 1986, p 36.

¹²⁰ See *Veja*, 'O Sarney das multidões', 12 March 1986. Senator Alfonso Camargo of the PMDB said that, when the politicians who were leaving the field saw the team doing better they came running back after the ball 'which is with the President'. Deputy Cristina Tavares, PMDB, from Pernambuco, said: 'The President is above parties. . . . He has removed Ulysses Guimarães and Aureliano Chaves from decision-making and, personally, has assumed the centre of power . . .', *ibid.*, p 63-4. Raymundo Faoro, by contrast, said sudden shifts of this kind were typical of weak governments; strong governments had bases which held them fast, making their movements slower, *ibid.*

¹²¹ For useful material on the parties generally, see David V. Fleischer (ed), *Os Partidos Políticos no Brasil*, Brasília, 2 vols 1981. Also Robert Wesson and David Fleischer, *Brazil in Transition*, New York, 1983, and Fleischer, 'Brazil at the Crossroads: The Elections of 1982 and 1985', (*mimeo*) February 1985. For the PMDB and the election in São Paulo see Bolivar Lamounier and Judith Muszynski, 'São Paulo, 1982: A Vitória do (P)MDB', São Paulo, 1983. Also Morcira Alves, *op. cit.*, pp 220-30.

remained a broad heterogeneous coalition, still without clear definition of strategy or policy. The defeat of Senator Fernando Henrique Cardoso in November 1985 showed that the party machine could not of itself guarantee a candidate's success and the last six months have served to show still more clearly the fragility and confusion of party politics, even in São Paulo.

One of the currently most powerful and most ambitious of Brazilian politicians, Marco Maciel, head of the Casa Civil, commented earlier in the year that: 'Parties have practically disappeared. Today they are mere strings of letters (*siglas*) serving the interest of the candidate . . .'¹²² and there is general agreement as to the confusion of party labels, the weakness of party ties¹²³ and the ease with which people move from one party to another.¹²⁴ The '*pacote*', said one of Brazil's senior lawyers, stripped away the last disguises: ' . . . This is no longer a regime of parties or of Congress'¹²⁵

As the 'New Republic' prepares for vitally important elections in November 1986, especially that of the Constituent Assembly, the weakness and confusion of party politics, and the evident lack of respect for it on the part of some of the candidates, is a matter for concern.¹² The case of São Paulo illustrates the point.

It was generally thought that the victory of Quadros in 1985 would open the way for the candidacy for governorship in November 1986 of Olavo Setúbal, Sarney's Minister of Foreign Affairs, strongly backed by the PFL and elements of the business community,¹²⁷ who gave up the ministry in February in order to meet the electoral requirements. It seemed that, standing for the PFL, he would be opposed by Maluf for the PDS, Orestes Quércia, currently Vice-Governor, for the PMDB

¹²² *Veja*, 9 April 1986, p. 24.

¹²³ See the article by Eurico Figueiredo, *Senhor*, 8 April 1986, pp. 35-6. Also Cláudio Abramo, 'A maratona da insensatez', *ibid.* 6 May 1986, pp. 34-5.

¹²⁴ *idem*. See the article, 'A dança dos partidos'. The article particularly notes, for example, how José Alencar Furtado in Curitiba has left the PMDB, which he helped to found in 1979, having served the MDB for a dozen years, being *cassado* in 1977 (*Veja* says 1975) when leading the MDB in the Chamber (See Flynn, *op. cit.*, p. 512). He left to join the tiny Brazilian Municipal Party (PMB), formed two weeks earlier, saying that the PMDB had lost its direction. He apparently was joining forces with a group which intended to support the ex-mayor Jaime Lerner (PDT) for Senate, with the help of a former governor, Paulo Pimental (PDS) and a deputy from the PFL. The episode underlines the general point.

¹²⁵ Raymundo Faoro, quoted in *Senhor*, 6 May 1986, p. 35.

¹²⁶ As Fernando Henrique Cardoso put it in an interview in Rome in January 1986: 'How can you have democracy without political parties?'

¹²⁷ See the interview referred to on pp. 1166-7 above. Setúbal was a highly respected banker previously president of Banco Itaú, the former mayor of São Paulo and a leader of the short-lived PP, to which Tancredo Neves had belonged.

and by Eduardo Matarazzo Suplicy for the PT. But, only two weeks after leaving the Itamaraty, Setúbal announced on 2 March that he would not contest the governorship. It seems that, in part, he was wearied by the divisions within the PFL in São Paulo, partly caused by the sudden entrance of *políticos fisiológicos* (essentially, opportunistic office-seekers and Vicars of Bray), who had come into the party, especially from the PDS of Maluf.¹²⁸ His close associates and supporters, such as the banker, Herbert Levy, were suddenly without a candidate. Despite the PFL's support for Quadros in elections for mayor, there was now talk of one or both of the party factions moving towards the PMDB, an idea welcomed by Orestes Quércia and by Montoro.¹²⁹

The PMDB, on the other hand, had its own problems. The governor, Franco Montoro, had only just given full backing to the candidacy of his Vice-Governor, Quércia, who now was trying to restitch the Democratic Alliance in São Paulo, talking to Setúbal's main campaign director, José Bonifácio Coutinho Nogueira, to the former minister, Roberto Gusmão and to former governor, Paulo Egydio Martins.¹³⁰ At the same time, through Deputy Gastone Righi, leader of the PTB *bancada* in Congress, he was trying to mend fences in that direction, despite the problems this might cause on the left of his own party, where, indeed, Quércia's difficulties were substantial. The appearance of the Cruzado Plan had halted the shift towards Brizola of such PMDB leaders as Cardoso and Pazzianotto, but those on the left of the party were still concerned about the alarming lurch to the right of *paulista* politics following the victory of Quadros.¹³¹ Quércia was generally perceived as a 'machine' politician, who would do well in a party convention, but who would not necessarily win the support of more left-wing voters, many of whom, it was feared, might be drawn to the PT.

¹²⁸ *Senhor*, 11 March 1986, pp. 53-4. The party was divided between the Setúbal group and another around José Maria Marin, formerly of the PDS.

¹²⁹ *Ibid.*, p. 54. PFL national leaders such as Aureliano Chaves and Marco Maciel expressed their anxiety over the situation in São Paulo and the national president, Senator Guilherme Palmeira of Alagoas, flew to São Paulo to try to find a solution. He, however, had other worries, being severely criticised by colleagues who wanted to see him replaced by Paulino Cícero. Cícero is close to Aureliano Chaves and Palmeira to Maciel, so, again, it was part of a struggle for power within the party. See *Senhor*, 18 March 1986, p. 50.

¹³⁰ *Senhor*, 18 March 1986, p. 51. There was talk of a Senate seat for Setúbal.

¹³¹ Cardoso had expressed this fear in the interview in Rome, January 1986. See above p. 1170 and Note 58. Talking of the growth in strength of the right and the need to reshape and pull together the left of the party, he said that the only alternative might be to support Brizola.

Only two weeks after the excitement of the Cruzado Plan and the withdrawal of the candidacy of Setúbal, came a bombshell, the announcement by one of Brazil's most prominent businessmen and industrialists, Antônio Ermírio de Moraes, that he would be a candidate for the governorship of São Paulo. Antônio Ermírio was the head of Grupo Votorantim, the biggest private conglomerate in Brazil, made up of ninety-five firms, with wide-ranging interests in such areas as cement, steel, textiles and paper, with 55,000 employees in twenty states of the federation. Antonio Ermírio's personal fortune was estimated at about US\$275 million,¹³² but, while one of the most successful businessmen in Brazil, he was respected on the left for not having contributed to the DOI-CODI, the forces of repression under the military regime, and for his commitment to political transition. Despite being attracted to the PTB, which elected Quadros, he had not helped Quadros, instead publicly supporting Fernando Henrique Cardoso.¹³³ Impressed by the Cruzado Plan, he at once announced a reduction in the mark-ups, previously calculated to allow for inflation, throughout his companies and it seems that his admiration for the Plan and the reaction to it were factors in making him decide to enter politics.¹³⁴

Antônio Ermírio was also influenced in his decision by Robert Gusmão, who had resigned as Minister of Industry and Commerce early in the year, and who had been especially influential in helping Tancredo Neves to become President. Gusmão, who resigned from the PMDB, just as Antônio Ermírio's name was being put forward, had also been one of the strongest supporters of Setúbal's candidacy for the governorship, who, after deciding not to stand, after his defeat in the PFL convention of 2 March, tried to persuade Antônio Ermírio to do so.¹³⁵ Neither Sarney nor Montoro could openly support Antônio Ermírio, but other PMDB leaders, such as the Minister of Finance, Dilson Funaro, openly expressed their admiration.¹³⁶ Clearly, he was a candidate who would take votes from both left and right, from Quêrcia and Maluf, as both recognised, and he was the ideal candidate for many of the business community, who already saw him, at fifty-seven years

¹³² *Veja*, 26 March 1986, p. 37.

¹³³ *Senhor*, 25 March 1986, p. 30.

¹³⁴ *Ibid.*, 6 May 1986, p. 36.

¹³⁵ *Veja*, 26 March 1986, pp. 38–9. See, too, on Gusmão, *Senhor* 25 March 1986, pp. 31–2.

¹³⁶ *Ibid.* See also Roberto Santos, Minister of Health, 'Ermírio has all the qualities to head a good government in São Paulo.' Fernando Lyra, former Minister of Justice of Tancredo Neves, said he would be a real threat to the other candidates. Senator Carlos Chiarelli, leader of the PFL, praised his combination of modern capitalism and social concern, *ibid.*, p. 37. Sarney was said to be, at least, encouraging the candidacy. *Senhor*, 25 March 1986, p. 31

old (one year older than Sarney), a strong possible candidate for the presidency of the Republic. He could, in fact, have been in the first government of Tancredo Neves, but declined, just as in 1984 he had refused the invitation of Montoro to run as Tancredo's Vice-Presidential candidate, which, had he accepted, could already have brought him to the presidency.¹³⁷

Announcing his candidacy, Antônio Ermírio declared: 'In order to carry out the changes I believe are necessary for the country, I need a popular mandate.'¹³⁸ The one thing Antônio Ermírio lacked, however, for someone wanting a 'mandate' was a political party. He was *o candidato sem partido* ('The candidate without a party'),¹³⁹ a businessman who claimed to admire political parties, but not party politicians: 'I respect political parties, but the majority of them are under the control of professional politicians, only interested in the spoils of office [*só interessados na fisiologia*] . . .'¹⁴⁰

Another businessman, himself a prominent politician and a former governor of São Paulo, Paulo Egydio Martins, took up this point in an important interview, in which he explained why he preferred Quércio to Antônio Ermírio. One central point was the role which he thought the PMDB ought to play, especially in São Paulo: 'I believe that party discipline is fundamental to the existence of stable political institutions in our country, where the link with democracy and freedom is still very fragile . . .'¹⁴¹

The party, he argued, was more important than the man, so that, whatever the merits of Antônio Ermírio as a businessman, it was deeply alarming to see such a man, with no party links and no real political experience, parachuting into the midst of politics with such an impact; it presented a threat to the PMDB similar to the victory of Quadros in the election for mayor.¹⁴² Brazil, in the wake of the Cruzado Plan, trying hard to adjust, should not be looking for an 'ideal' or charismatic man (in the mould of Quadros) which was one of the alarming features of

¹³⁷ *Senhor*, 25 March 1986, p. 31. He also declined Sarney's invitation in February to become Minister of Foreign Affairs, *ibid.* For the build-up to his candidacy, see *ibid.*, pp. 31-2. Especially see the comments on opinion in the *Planalto*, that Sarney and his advisors were becoming increasingly anxious over the São Paulo succession question, seeing support growing for the PT and Maluf. The candidacy of Setúbal, in effect, had been torpedoed by the *malufista* group in the PFL in São Paulo and Quércio did not seem able to guarantee victory for the PMDB; hence the enthusiasm for Antônio Ermírio.

¹³⁸ *Veja*, 26 March 1986, p. 36.

¹³⁹ *Ibid.*, 1 April 1986, p. 30.

¹⁴⁰ *Veja*, 26 March 1986, p. 39.

¹⁴¹ *Senhor*, 15 April 1986, p. 5.

¹⁴² *Ibid.*, p. 6.

Antônio Ermírio: 'a man without party . . . When I see certain of his declarations, how he almost disparages parties, and his attempt to make direct contact with the people . . . this worries me . . .'¹⁴³ This was all too much like Jânio Quadros in 1961; hence Paulo Egydio's support for Quêrcia and the PMDB.

Paulo Egydio's points were well taken, expressing the anxiety of many people, not only in the PMDB, at the way in which a rich businessman, however able, and however liberal and impressive his record, could, overnight, jump into the middle of politics without a party base; however, it was with strong support among politicians and the electors in São Paulo¹⁴⁴ and even with the help, however tacit, of the government itself. Eventually, Antônio Ermírio found a party home, the PTB,¹⁴⁵ but the same problem of party weakness, instability and confusion was evident throughout the country. The PMDB in Recife had split before the elections for mayor in November 1985, with the election of the PMDB dissident, Jarbas Vasconcelos, for the PSB; now there were rumours of splits in Minas Gerais, where in 1985 the PMDB had soundly defeated the PFL of Aureliano Chaves.¹⁴⁶ The PFL was in difficulty everywhere, especially in finding candidates, and was busy patching up alliances with other parties against the common enemy, the PMDB.¹⁴⁷ Some of these alliances were quite startling, such as the possibility that Marco Maciel and the PFL might join forces with Brizola and the PDT to oppose the candidacy of Miguel Arraes and the PMDB in Pernambuco.¹⁴⁸

The one exception to all this, at least in São Paulo, was the PT, which,

¹⁴³ *Ibid.*, p. 7.

¹⁴⁴ By late April it was reported that he had more support in the industrial ABC towns than Quêrcia; *Senhor*, 22 April 1986. A survey for the *Folha de São Paulo* gave him 23 per cent of popular support, Quêrcia 13 per cent and Suplicy 10 per cent, *ibid.*, 29 April 1986, p. 26.

¹⁴⁵ *Senhor*, 29 April 1986, pp. 22, 26-31. Also *ibid.*, 6 May 1986, pp. 68-9. For some of the background to his choice see *Veja*, 2 April 1986, p. 32. Concerned at Quêrcia's difficulty in finding a candidate for Vice-Governor (Pazzianotto had refused the offer), some people in the PMDB even discussed the possibility of Antônio Ermírio becoming PMDB candidate for Governor, with Pazzianotto as Vice-Governor and Quêrcia as candidate for the Senate. See also *ibid.*, 9 April 1986, p. 24, where there is mention of Fernando Henrique Cardoso perhaps moving into the PSB (Partido Socialista Brasileiro), where he may more easily be able to help Antônio Ermírio against Quêrcia. The report also mentions, however, Antônio Ermírio's talks with Quadros. While all this was going on, Quêrcia was apparently threatening to move to the PDT with Brizola, unless he got full support!

¹⁴⁶ *Veja*, 9 April 1986, p. 25. There was talk of Senator Itamar Franco leaving the PMDB to run as Governor for the PL (Partido Liberal) and of the governor, Hélio Garcia, forming a new party after November 1986. See, too, *Senhor*, 6 May 1986, pp. 66-7.

¹⁴⁷ *Veja*, 9 April 1986, p. 25.

¹⁴⁸ *Senhor*, 13 April 1986, pp. 28-9; this mainly critical article on Maciel (pp. 26-30) emphasises how ambitious he is, especially in his bid to succeed Sarney.

faced with substantial opposition, still tried to preserve its party base, discipline and loyalty, while working to elaborate a coherent programme and electoral strategy. The choice of candidate was made, after hard but democratic debate, agreeing on the economist and PT federal deputy, Eduardo Matarazzo Suplicy, a member of the industrialist Matarazzo family and brother-in-law of the current Minister of Finance, Dilson Funaro. Suplicy was chosen in preference to another federal deputy, José Genoíno Neto, who in the 1970s was imprisoned as he was about to take part in the guerrilla movement in Araguaia,¹⁴⁹ and to Plínio de Arruda Sampaia, former deputy of the PDC (Partido Democrata Cristão), *cassado* (deprived of civil rights) in 1964 and now first *suplente* (substitute candidate) for the Federal Chamber. There seemed to be no rancour. The defeated candidates said: 'The PT is a democratic party. It's united and, if the people want Suplicy we will support him . . .'¹⁵⁰

The party in São Paulo actually welcomed the candidacy of Antônio Ermírio Moraes, as helping to make clearer to the electorate the conflict of interests between capital and labour. Antônio Ermírio would take votes from the other parties and strengthen the PT's position. He would separate the wheat from the chaff, Lula said. In the elections in November 1985 the PT was faced with the strong campaign of Fernando Henrique Cardoso, which attracted votes from PT supporters, swayed by the argument that they should not waste their votes on Suplicy, who had no real chance of victory, the idea of the *voto útil*. Now Lula argued, with Antônio Ermírio, 'the whole political picture in terms of the succession has changed greatly . . . to the benefit of the PT . . .'¹⁵¹

The Secretary-General of the party, Francisco Weffort, also believed that Suplicy could win, suggesting that he and Antônio Ermírio represented different class interests, one, the workers, the other, employers. Again, he noted the 'fragility of parties', especially the PMDB, which he described as a 'modern front' rather than a 'modern party',¹⁵² weak ideologically by comparison with the socialist commitment of the PT. Weffort also stressed the technical and administrative competence of the PT, but there were those who doubted whether, even if Suplicy were to do well, his opponents would

¹⁴⁹ *Senhor*, 1 April 1986, p. 30.

¹⁵⁰ *Ibid.*, p. 31.

¹⁵¹ *Ibid.*, p. 33.

¹⁵² See the interview with Weffort, *ibid.*, p. 5.

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popularity remains very high, reinforced by the announcement of his social programme and by his declared intention to tackle the most intractable of all Brazil's economic problems, that of agrarian reform.¹⁵⁶ How successful he will be in this area remains to be seen, but so far the Plan has managed to cut back inflation without leading to recession, so that the main problem is, in fact, rather the opposite, the danger of overheating the economy.¹⁵⁷ Partly in response to shortages caused by the consumer boom, the government has had to lift its curb on imports, which however, it can afford to do.¹⁵⁸ Politically, too, the President is riding high, with the unions still presenting no real challenge, with the party system in disarray, especially the PMDB, of which until February he was virtually the prisoner. He may even find his position strengthened in São Paulo, if the PMDB's candidate is defeated in November. In a 'New Republic' which has returned so swiftly to populism, Sarney has emerged as the most successful of all the populists. His success has only to continue till November and he will have at hand a Congress, acting as a Constituent Assembly, in which his authority will be paramount. Is there, therefore, no source of political challenge to Sarney and the Cruzado Plan? The answer is, yes, if not perhaps in the short term, and that answer is called Brizola.

Brizola

At a time when it was highly unfashionable and politically unprofitable to criticise the Cruzado Plan, Brizola did so loudly and publicly,¹⁵⁹ and

¹⁵⁶ In 1985 160 people died in conflicts over land and a further eighty in only the first four months of 1986. The demand for agrarian reform has grown in volume, with powerful backing from the church. In its first year of office the government of the 'New Republic' dragged its feet. At the end of May the Minister of Agrarian Reform, Nelson Ribeiro, was replaced by Dante Oliveira and, in the wake of the much publicised murder of a priest in Sarney's own state, the government announced it would take tougher measures with landowners and speed up the pace of change. For an excellent survey of the problem see *Senhor*, 3 June 1986, pp 20-31. For earlier reports see 'Revolução no Campo', *Afinal* 19 March 1985, pp 35-41; 'Agricultura', *Visão*, 3 July 1985, pp 57-72; 'Os fazendeiros se armam', *Veja*, 19 June 1985, pp 20-6; 'Política Agrária do Regime Pós-64', IBASE, Rio de Janeiro, 1984, and *Veja*, 21 May 1986, pp 28-33 and 4 June, pp 44-7.

¹⁵⁷ See *Senhor*, 6 May 1986, p 33 and 13 May, p 24, which expresses alarm at the rise of inflation and *ibid.*, 20 May, suggesting that the Plan will need adjustments, probably in July. The article reports growing concern over the deficit and over illicit price rises.

¹⁵⁸ By late April Sarney's economic advisers were saying that some liberation of imports would be necessary. *Senhor*, 29 April 1986, pp 30-1. The plans for this were eventually announced in June. See *Financial Times*, 16 June 1986, which reports that restrictions are to be lifted on imports of several key agricultural and industrial products, in response to pressure from industrialists, food manufacturers and retailers, anxious to avoid short-falls and restore stocks.

¹⁵⁹ The rest of the left was much more cautious, even the PT, unwilling to be seen out of step with the popular enthusiasm. See, for example, the interview with Weffort, *Senhor*, 1 April 1986.

ground in consequence. Partly, as seen already, he attacked because Sarney was appealing to Brizola's own constituency, partly because Sarney's greatly increased popularity reduced the pressure for direct presidential elections before 1988, but also out of conviction that the Plan was not in the best interests of the workers and was an act of political opportunism.¹⁶⁰

The press, which has been, in general, so hostile to Brizola that he has had to buy space in it every week to reply to criticism and put his own message across, tends to exaggerate the damage done to him by the success of Sarney's intervention.¹⁶¹ In part, it reflects the wishful thinking of the middle class, especially in Rio de Janeiro. Many of them detest Brizola, whom they portray as an unscrupulously ambitious outsider, using the governorship only as a springboard for the presidency and doing great damage to the state in the process. Brizola is attacked as a *fazendeiro*, more often on his farm in Uruguay than in the interior of the state of Rio de Janeiro, an intolerant, authoritarian *caudilho*, who allows no participation in government and cannot stand criticism, still less strikes or opposition. The middle class accuse him of turning the city into another Calcutta, with beggars washing their clothes and themselves in public fountains, of reducing the transport system to chaos, of failing to collect rubbish, of doing nothing about rising crime, of neglecting the public health service, and of every form of maladministration, sacrificing everything to the building of his proposed five hundred or so *Brizolões*, the CIEPs or integrated schools.

There is some substance to these charges, though they go much too far. What is true, is that Brizola has made clear options within a coherent, though not carefully detailed, strategy. He is not an intellectual, not guided by theory or explicit ideology, but his priorities and policies are clear and consistent, as they have been for the last thirty years, since he was Mayor of Pôrto Alegre in the 1950s and Governor of Rio Grande do Sul from 1959 to 1963. As Governor, he created the Caixa Econômica Estadual and intervened to tighten up the banking system more generally; he encouraged investment to improve energy

¹⁶⁰ See the interview with Brizola, *Senhor*, 29 April 1986, p. 8, where he draws an historical parallel, noting that, within a year of Princess Isabel signing in 1888 the act which ended slavery, the monarchy fell.

¹⁶¹ Brizola, on the other hand, tends to exaggerate the hostility of the press. He is also extremely partial in his treatment of it, using it when he can, but regarding even the constructive criticism to be expected of a free press as an act of hostility. See the comments of Evandro Carlos de Andrade of *O Globo* and Marcos Sá Correia of *Jornal do Brasil*, *Senhor*, 6 April 1986, p. 44. Also *Afinal*, 4 September 1984, pp. 46-8.

resources, communications and transport, and caused a political uproar by bringing under state control a subsidiary of ITT. Above all, he gave priority to education, both primary and secondary.¹⁶² Brizola is fully within the tradition of Brazilian *trabalhismo*, which largely had its origins in Rio Grande do Sul. He is a tough, instinctive politician, with a feeling for what the people need and want, and with an extraordinary ability to communicate with the less privileged sections of society, whether in a speech in a public square, on television, which he uses with enormous success, or in writing, where he speaks to the people directly, simply and cogently.

The debate over the nature of the Brizola administration in Rio de Janeiro since March 1983 still goes on, and cannot be developed here.¹⁶³ The state is divided, often passionately, for or against him: not, in general, over his party, the PDT, but over Brizola who leads and defines and lends colour to the party. Despite the strictures of Tancredo Neves on the eve of his inauguration in March 1985,¹⁶⁴ Brizola has been especially well-served by some of his state secretaries, most notably, by his Secretary of Finance, César Maia, who brought order and discipline into state finances, despite the exceptionally hostile attitude of the federal government in holding back money due to the state. He is also extremely well-served by staff at lower levels of the administration, who have to do the dogged, often thankless, work in the *favelas*, in the schools, often disagreeing with certain features of Brizola's programme, often irritated, even appalled, by his style of government, but loyal to the basic ideal of his programme, a more equal distribution of resources and a better quality of life for the poor and underprivileged families, especially in urban Rio de Janeiro and the notoriously poor and violent *baixada fluminense*. Resources are thin, and, if spread more widely,

¹⁶² Studies of Brizola are few and rather weak. See, however, the useful entry in *Dicionário Histórico-Biográfico Brasileiro, 1930-83*, Vol. 1, Rio de Janeiro: 1984, p. 489. Also Moniz Bandeira, *Brizola e o Trabalhismo*, Rio de Janeiro, 1979; Lauro Schuch, *Para Onde Vai Brizola? Trabalhismo ou Socialismo*, Rio de Janeiro, 1983, and Cibília da Rocha Viana *Reformas de Base e a Política Nacionalista de Desenvolvimento—de Getúlio a Jango*, Rio de Janeiro: 1980. See especially, Elizabeth Allen, *Housing Programmes, Opposition Government, and the Move towards Democracy in Brazil: 1983-6*, Institute of Latin American Studies, University of Glasgow, Occasional Paper, 1986 (forthcoming). Allen notes how Brizola, as governor of Rio Grande do Sul, provided 6,302 new schools, 688,209 new pupils, and 42,153 new teachers.

¹⁶³ The ESRC research project referred to above is still in progress and the preliminary findings are just now being written up. For a useful, succinct, and generally fair, evaluation of the Brizola government see *Senhor*, 6 May 1986, pp. 37-60.

¹⁶⁴ Tancredo spoke disparagingly of the quality of Brizola's Secretariat. In reply, Brizola and his Secretaries decided not to attend the ceremony in Brasília.

would be thinner still. Therefore, they have been concentrated, especially in education and, to a lesser extent, in housing.

The middle classes howl, and damn Brizola, but the people vote for him and his candidates, as was seen in the overwhelming victory of Saturnino Braga and Jó Resende in Rio de Janeiro last November. In Rio, Saturnino Braga took 40 per cent of the votes, 1,059,629,¹⁶⁵ more than those of the other candidates put together. The PDT also won in Pôrto Alegre and came very close in Curitiba and Florianópolis and Recife.¹⁶⁶ Brizola still needs to consolidate his position in São Paulo, as he well knows,¹⁶⁷ but the PDT, though it has suffered some serious divisions and defections, has the potential ability to project itself at the national level, and to attract to itself powerful defectors from other parties, reacting against the growth of the right, as was seen in the few weeks before the announcement of the Cruzado Plan.

Here one touches the vital point. There are, at present, only two leaders of the left with genuinely national stature. Lula in São Paulo and Brizola in Rio de Janeiro. Of the two, Lula, it may be argued, is the more original, the stern, clear voice of working-class mobilisation, linked to a sharp analysis of the issues at stake. Brizola has counterbalancing qualities, above all, the ability to win votes: for this he is feared by the people in power even more than Lula. Interviews in the *favelas* of Rio de Janeiro and in the cities and townships of the *baixada fluminense* emphasise the political support for Brizola and his party, often referred to simply, as *o partido do povo* ('the party of the people'). The elections of November will be important for Brizola, and, if early surveys can be believed, his candidate has leeway to make up,¹⁶⁸ only partly because of the Cruzado Plan; but the elections of November 1986 will not be the end of the story: elections for president are still to come.

Sarney has gambled. Perhaps he has put himself into an unassailable position:¹⁶⁹ but in his gamble he has involved all those associated with

¹⁶⁵ *O Globo*, 18 November 1985.

¹⁶⁶ See Allen, *op. cit.* Also Maurício Dias 'As estocadas de Brizola', *Senhor*, 20 November 1985, pp 37-9 and *Veja*, 20 November 1985.

¹⁶⁷ See *Senhor*, 15 April 1986, pp 35-6.

¹⁶⁸ For discussion of some of Brizola's current difficulties see *Veja*, 21 May 1986, pp 26-7. Brizola is complaining of worse treatment by the federal government under Sarney than under Figueiredo. He says Sarney is holding back funds due to the state of Rio de Janeiro to make things more difficult in the period leading to the November elections. There have also been more defections from the PDT.

¹⁶⁹ One senior Brazilian diplomat recently suggested that, even if the Plan were to fail, Sarney may be above the criticism and blame which would follow. He was the President who tried, bravely, to bring in the necessary changes. Others must face the music.

North-South Monitor

and the Stockholm Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE).

On regional issues, no agreement was registered except that of continuing the regular exchange of views at expert level on various regions. Such exchanges had already taken place on the Middle East, East Asia, South Africa, Central America and Afghanistan. Fundamental disagreements over Nicaragua were reported to have persisted at the summit, but George Shultz said that Afghanistan had been extensively discussed, despite its absence from the communiqué. Shultz reported that there had been a broad hint of future Soviet accommodation involving a political solution, and a schedule for the withdrawal of troops.⁷⁰ The sole reference to human rights was an agreement on 'the importance of resolving humanitarian cases in the spirit of cooperation', though the subject too was reported to have been extensively discussed.

Perhaps a major achievement of the summit was its attempt to institutionalise a 'process of dialogue' between the two powers, which would be intensified and regularised at various levels, including the holding of further summits. Mikhail Gorbachev accepted an invitation from President Reagan to visit the US in 1986, and it was agreed that the visit would be reciprocated in 1987. There would also be regular meetings at foreign minister level. Progress was made on other bilateral contacts, which had been halted by US Presidents Carter and Reagan in protest at the invasion of Afghanistan in 1979, and the imposition of martial law in Poland in 1981. The two foreign ministers signed a six-year agreement on cultural, educational and scientific contacts and exchanges, and agreed that these contacts should be expanded. The leaders agreed a set of measures to promote air safety on North Pacific routes to prevent such incidents as the shooting down of a Korean airliner by Soviet forces. Noting that negotiations had begun for the resumption of air services between the two countries, the two leaders agreed that their countries should simultaneously open Consulates-General in New York and Kiev (to supplement those already in existence in San Francisco and Leningrad). Further support was given to cooperative measures for the preservation of the environment, and to develop thermonuclear fusion as a source of energy.

Although no mention was made in the joint statement of the elimination of SDI as a precondition to agreeing on strategic arms control, Mikhail Gorbachev reiterated Soviet opposition to 'Star Wars' at a press conference following the summit.⁷¹ The Soviet Union, he said, was determined to keep up with the US if it persisted in its space weapons research. Both leaders emphasised that differences remained between the two powers, and that the summit's substantial achievement would depend on future actions, rather than on the statement of intent.⁷²

Following the summit, Mikhail Gorbachev attended a meeting of the Warsaw Pact in Prague on 22 November 1985. According to Tass, the official Soviet News Agency the six Pact leaders gave their full support to the Soviet position at the summit acknowledging that the problems of arms control had not been solved, but considering that the statement of intent not to pursue military superiority was of considerable value.⁷³ On the same day, before addressing the US Congress on the summit,⁷⁴ President Reagan briefed the NATO Council in Brussels. Lord Carrington, the NATO Secretary-General, reported that the President had referred to the summit in positive terms, and received support in return. Margaret Thatcher

The struggle for democracy in South Korea in the 1980s and the rise of anti-Americanism

In the first half of 1986, a series of events in South Korea captured the attention of the world press and marked a turning point in the history of that country's opposition movement:

- Early in the year, the opposition New Korea Democratic Party (NKDP) initiated a nationwide signature campaign and a series of mass rallies calling for a change in the 1980 Constitution and direct presidential elections. In a remarkable display of unity, the campaign gained the support of major religious and academic organisations, and the provincial rallies drew hundreds of thousands of ordinary citizens—the largest public demonstrations since General Chun Doo Hwan seized power in a military *coup d'état* on 17 May 1980.

- In mid-February, just as the campaign was taking off, the twenty-year rule of Ferdinand Marcos over the Philippines suddenly came to an end. This victory of 'people's power'—and the decision of the US President, Ronald Reagan, to support the new administration of President Corazon Aquino—forced Chun to back away from his staunch resistance to constitutional change. Just one day after Mr Marcos left Manila, Chun rescinded his order that all participants in the signature campaign be arrested, and the mass rallies began. Suddenly observers were asking: with Marcos gone, will Chun be next?

- During the spring, student and worker demonstrations were held calling for the removal of US troops and nuclear weapons from the Korean peninsula and condemning the US for supporting the military regime and perpetuating the division of Korea. These demonstrations, which peaked in early May with a violent clash between demonstrators and riot police in the industrial city of Inchon, marked the first time since the 1940s that elements of the South Korean opposition have openly identified themselves as anti-imperialists, and underlined a key

* The author is indebted to many Korean and American friends for their insight and support.

development in Korea since 1980: the emergence of an organised (though largely underground) movement identifying with the Third World and demanding radical changes in Korean society and the country's relationship with the US and Japan.

● On 30 May, following a visit to Washington, the opposition party president, Lee Min Woo, met Roh Tae Woo, a former army general and head of the ruling Democratic Justice Party (DJP). The two men announced an 'accord' calling for a special session of the National Assembly in order to shape a constitutional change to pave the way for elections and a possible power-sharing arrangement between the NKDP and the military.

These events have occurred at a time when South Korea is being closely watched by the world as it prepares to host the 1988 Summer Olympic games. Scheduled to take place shortly after a new President is sworn in, these Games are viewed by the Chun Government as a symbolic 'coming of age' for South Korea. A successful Olympics would cap the first peaceful transfer of power since 1945, giving South Korea the international stamp of respectability, legitimacy and prestige, and presenting the country as a mature middle-ranking industrial power. The obvious model is the 1964 Olympics in Tokyo, which projected Japan back into the world community twenty years after losing a catastrophic war. But the emergence of a radical, anti-American mass movement and the potential for political unrest over the next two years has alarmed the Korean government and raised concerns in the US, which is worried that instability in South Korea could upset the huge US economic and military stake in Korea and weaken the bonds between the US, Japan, and South Korea. How the Chun and Reagan governments react in this volatile situation could have far-reaching effects for Korea and Northeast Asia.

This article will discuss the significance of the Korean opposition, focusing on the current campaign aimed at changing the country's Constitution to allow for direct presidential elections. First, it will discuss the background to Chun Doo Hwan's rise to power and the actions taken by the United States during this period. Second, it will analyse how the democratic opposition movement has changed since 1980, with particular emphasis on the rise of anti-Americanism. It will conclude with a discussion of how the various groups within the opposition hope to change the Constitution, and what the possible outcome of this campaign could be.

South Korea under Park Chung Hee

Between 1961 and 1979, South Korea was ruled by Park Chung Hee, a military man who seized power in May 1961. Park's rule was characterised by rapid economic growth (averaging 10 per cent a year), a repressive, authoritarian style of government, and close ties with Japan, which from 1970 on was the largest investor in the country and the primary supplier of technology, and the US, which maintained a sizeable force of ground forces on the peninsula after the Korean War. In 1965, after signing a Normalisation Treaty with Japan (which brought the first initial spurt of capital for the country's export-led industrialisation programme), Park's ties with the US strengthened with an agreement to send 25,000 Korean troops to fight in Vietnam.

By 1970, the direct US military role in Indo-China was slowing down, shifting to the strategy known as 'Vietnamisation', and the Nixon Administration began the slow withdrawal of US ground forces from the region (between 1969 and 1975, over 700,000 US troops left Asia). As part of the policy, in 1971 the US announced the pull-out of the Seventh Division of the US Eighth Army from Korea. Park was also informed that the US could not guarantee the presence of the remaining division beyond 1980.

Park, who had gained power in the name of anti-communism, saw these moves as a weakening of the US commitment to defend South Korea. This feeling was reinforced when President Nixon announced that he was opening up relations with China in 1972—a move that Park followed with the first discussions between North and South Korea since 1953. Out of these meetings came a joint agreement, announced on 4 July 1972, for the peaceful unification of Korea. For a time, many Koreans believed that their long nightmare of national division might be over, but hope gave way to despair when President Park used the unification agreement to increase his own power, leading to seven years of increasingly harsh repression.

The only way in which South Korea could defend itself and negotiate with the North, Park reasoned, was by building a strong and independent economy, with heavy industry at the core. Thus in the fall of 1972, Park instituted the *Yushin* (roughly translated as 'revitalising') Constitution to 'eliminate all inefficient and unproductive factors and promote the national strength and wealth by uniting all the people under the same objective and mind.'¹ The *Yushin* system concentrated

¹ Quoted in *Korea's Economy Past and Present*, Republic of Korea, 1976.

nearly all political power in the office of the President, and gave Park the authority to issue emergency decrees at any time.

The *Yushin* system created tremendous strains within South Korean society. Big business groups benefited, and reaped huge profits at the expense of low-paid workers and small and medium businesses. Dissent within the universities and churches was crushed, and popular politicians like Kim Dae Jung were imprisoned. But as the 1970s wore on, the democratic movement grew in strength and by 1979 was able to mount a major challenge to Park's rule.

The opposition movement under Park Chung Hee

The goals of the dissident movement of the 1960s and 1970s were to establish a constitutional democracy based on the model of the United States and eventually to move towards reunification with North Korea through a process of negotiation. Most Korean dissidents viewed the US as a friendly power, supportive of their movement's democratic goals, and thus almost peripheral to the struggle for a pluralistic democracy. The country that drew most public condemnation was Japan, which since 1965 was the strongest supporter of the Park government and by 1970 the largest investor, dominating much of the Korean manufacturing sector as well as the country's external trade.

Even when Park declared martial law in 1965, 1972, and 1975, these actions were viewed largely as reactions to US policies—such as President Nixon's 'opening' to China or the collapse of the Saigon government—than as moves directly supported by the US. Perhaps the most revealing example of the attitude towards the US was the reaction of many dissidents to President Carter's plan to withdraw the US Second Army Division from Korea in 1976. When asked to comment on this policy, most Koreans expressed fears that it would tempt North Korea to invade or increase the level of repression in the country—and asked Americans not to support the withdrawal.

'In the ebb and flow of human events, specific tactics may change. But what is essential is this: that people fighting for freedom in any country should feel that America is on their side, on the side of freedom', Kim Dae Jung told a reporter in 1979.²

This attitude can partly be traced to the legacy of anti-communism and memories of the Korean War, which combined in many peoples' minds into a strong fear of the Soviet Union and North Korea and a

² 'A visit with Kim Dae Jung,' *Christian Science Monitor*, 9 July 1979

feeling of genuine warmth towards the US for supporting South Korea with the sacrifice of thousands of young men and millions of dollars in aid. The US support for the 1960 student rebellion against Syngman Rhee—when the US Ambassador publicly stated his support for democracy and virtually ordered Rhee to step down—added to this perception. The escalation of tensions between President Park and successive US administrations during the 1970s over human rights, and the 'Koreagate' bribery scandal also served to underline the view that it was the Park dictatorship and not US interests that were at the core of Korea's problems.

But these illusions were to be shattered when the test of American commitment to democracy came in 1979 and 1980.

The political crisis of 1979

As popular dissatisfaction with the eighteen-year rule of Park Chung Hee increased and labour unrest grew in 1979, the political opposition gained visibility and strength. In May 1979, Kim Young Sam was elected as the new party chairman of the opposition New Democratic Party (NDP) after promising to fight for democratic reforms. Then in August, the workers' struggle burst into the headlines of the nation's normally censored press. Two hours after the midnight curfew on 11 August, 1,000 riot police raided the headquarters of the NDP, where 180 women workers of the YH Industrial Wig Company and 30 NDP members were in the second day of a sit-in to protest at the factory's closing. Many workers, NDP members, and reporters were badly beaten during the raid. A young woman, an executive member of the labour union, was killed. The incident was front-page news throughout South Korea for days.³

In early October President Park ousted Kim Young Sam from the National Assembly, ostensibly over his public appeal to the US to withdraw support from Park's dictatorial rule. Soon thereafter, students and dock workers led large demonstrations in Pusan, Kim's hometown; the unrest rapidly spread to the nearby Masan Free Export Zone. A few days later, on 26 October 1979, Park was assassinated by the director of the KCIA, who feared that Park's hard line against dissent was leading to a violent revolution.

Many Koreans rejoiced at the death of the dictator, and looked forward to an end to military rule, a new Constitution, and a

³ *Korea Herald* (Seoul) 12–15 August 1979.

presidential election. There was widespread confidence that these moves towards democracy would be strongly supported by the US.

The re-evaluation of US Asia policy

But by the late 1970s, US policy in Asia had undergone a significant shift from the early part of the decade, when the military was pulling its strategic forces out of Asia. This shift was rooted in the US defeat in Vietnam and the overall weakening of US power in the Third World during the 1970s, a perception heightened by the collapse of the Shah of Iran, one of the strongest US allies in the Middle East, the Sandinista revolution in Nicaragua, and the growing strength of revolutionary movements in the Philippines and El Salvador.

In 1978, the Carter Administration announced that a long-term agreement had been reached with Japan on strengthening regional military cooperation in Asia; for the first time, Japan promised to supply the US with high technology products for military use and extend its military responsibilities 1,000 miles offshore. In the same year, a bases agreement was signed with the Philippines, and military aid to Thailand was increased. These policies were announced at the same time that the US decided on a 'China tilt' in its foreign relations. Negotiations with Vietnam over diplomatic recognition and aid were suspended in favour of close relations with the People's Republic of China. Meanwhile, China and Japan signed a friendship treaty with an 'anti-hegemony' clause clearly aimed at the Soviet Union.

As part of this strengthening of the US strategic position in Asia, the US and Korean militaries became closely integrated through the formation of the Combined Forces Command, which placed 80 per cent of the Korean Army under the direct command of a US general. A new annual war game involving thousands of American and Korean troops, 'Team Spirit', was inaugurated.

As the US strategic position in Northeast Asia deepened, one problem remained for the Pentagon: the 1976 promise of President Carter to withdraw the remaining US Army troops from the Korean Peninsula. Almost from the day this policy was announced, the Pentagon and military supporters in the Congress lobbied strongly to reverse it. In mid 1979, the Administration finally relented and placed the plan 'in abeyance', justifying the decision with the sudden 'discovery' 'that the North's personnel strength is about 200,000 greater than . . . thought'.⁴

⁴ Statement by John A. Wickham, Jr, then commander of US forces in South Korea, before the

Thus, when Park's *Yushin* system finally collapsed in 1979, the US strategic stake in South Korea had deepened. To the consternation of Korean democrats, this stake was to override the concerns with human rights and democratisation.

Chun Doo Hwan takes control

After Park's death, nation-wide martial law was declared and an interim president, Choi Kyu Hah, took over as the civilian head of government. Choi immediately moved to defuse political tensions, freed many political prisoners, and promised open presidential elections within a year. The Carter Administration assured the American public that democratic progress was being made.

But the moves were opposed by a group of hardline military officers, led by a young Lieutenant-General named Chun Doo Hwan, who since March had been the Commander of the Korean Defence Security Command and had spent two years leading Korean counter-insurgency forces in Vietnam. On the night of 12 December 1979—just hours before President Choi was to name a new cabinet—Chun and his key supporters in the Korean military led an internal coup and gained control of the military.

Publicly, the US military protested at Chun's unauthorised movement of troops, while the State Department warned of further unrest if democracy was stalled by the military. But neither President Carter nor General John Wickham (at the time the US commander in Korea) ever made a move against Chun. Moreover, when a group of officers approached Wickham in January 1980 with a plan to overthrow Chun, they were told they would not be supported by the US.² And as the political crisis in Korea intensified over the next six months (and Carter became increasingly alarmed over global events such as the Soviet invasion of Afghanistan and the Iranian take-over of the American Embassy in Teheran), the US grew to see Chun—and another period of military rule—as the only possible alternative for South Korea.

Senate Armed Services Committee, 6 February 1980. Many analysts scoffed at the Carter Administration's reasoning. The FEER commented, for example, that 'Carter's claims that the new assessment [of North Korea] has altered the strategic picture in Korea should . . . be taken with the traditional pinch of salt. Very little has altered—except US political perceptions.'

² 'Yanks who won't go home,' *Far Eastern Economic Review*, 23 February 1979.

³ 'South Korean military will stay out of politics, top US General says' *Asia Wall Street Journal*, 11 March 1980.

After the initial shock of the Park assassination, the mass movement in South Korea grew in strength. In the first few months of 1980, an unprecedented wave of labour and student unrest swept the country. In the second week of May, hundreds of thousands of students demonstrated in Seoul, demanding an end to martial law and the restoration of democracy. When the interim government promised to consider the student demands, the students called off their mass protests and set 17 May as the deadline for the government to publicly announce its schedule for a return to democratic rule. Both the opposition and ruling parties declared their intention to vote for an end to martial law.

But since his take-over of the military in December, Chun Doo Hwan had been carefully consolidating his power. In April, he was 'appointed' director of the Korean Central Intelligence Agency (KCIA), the first time a military officer had headed the dreaded agency. Then on 17 May, Chun declared martial law throughout Korea, bringing an abrupt close to the shortlived movement for democracy, later termed the 'Seoul Spring'. With the 40,000 US troops in Korea on full alert, thousands of South Korean troops and tanks were deployed in Korean cities. The National Assembly was closed. Paratroopers occupied all universities. Hundreds of dissidents who had spoken out since the October assassination of Park were arrested or driven underground.

The Kwangju incident

But in the south-western city of Kwangju, a traditional centre of resistance to central rule, students and other citizens protested about martial law by demonstrating in the streets. For reasons still unexplained, paratroopers deployed to the city began a systematic assault on the demonstrations, killing and wounding scores of youths with bullets and bayonets. Within days, the situation had escalated into an armed revolt, and with guns seized from nearby armouries, a 'citizens' army' drove the martial law troops out of the city. For the first time in decades, the people of Kwangju had control of their own city. Daily demonstrations called for democracy, unification, and an end to military rule. A citizens' committee was formed to negotiate with the military, and requests were made for US assistance in the talks.

But no such assistance came. Unlike the 1960 revolt against Syngman Rhee, when the Eisenhower Administration refused to allow Korean troops under US command to be deployed against the demonstrators, the US opted for a military solution and solidly backed General Chun's

claim that the Kwangju uprising was a threat to national unity. On 26 May, General Chun requested that US General Wickham release 20,000 troops under his command to put down the rebellion. The request was granted, and early in the morning of the 27th, paratroopers and army troops armed with heavy machine-guns entered Kwangju and put an end to the resistance. During the crisis, a US aircraft-carrier group led by the USS *Coral Sea* and two AWAC surveillance planes were deployed to Korea to show US support, and North Korea was strongly warned 'not to interfere'.⁶ The news of direct support from the US was broadcast to the people of Kwangju from helicopters and proclaimed throughout the nation in blazing newspaper headlines. Koreans who had expected help from Carter were dumbfounded: an American teacher living in Seoul at the time wrote,

'Shock' is an insufficient word to describe the reaction when people read these words in black and white in the newspapers. And 'anti-Americanism' is a simplistic label for the emotions that have been generated out of that shock, the intense feeling of having been deceived and betrayed by somebody you trusted and had high hopes in.⁷

As the weeping citizens of Kwangju buried their dead, the US government blandly called on the new military leaders to resume progress 'towards the establishment of a broadly based civilian government'.⁸ Within a week, President Carter dispatched John Moore, President of the US Export-Import Bank, to Seoul. Moore assured the new military junta that US economic support would continue, and gave approval for a \$600 million loan to the government. With this 'seal of approval', the Chun regime had passed its first and most difficult hurdle.

Four months later, Chun's drive for the presidency was catapulted forwards through a press interview with General Wickham, who told two foreign reporters that the US would support Chun if he emerged as president. The interview, carried by the *Associated Press* and the *New York Times*, was given front-page coverage in every newspaper in South Korea. Wickham said that

⁶ 'Korean Generals reportedly seek greater power', *Washington Post*, 28 May 1980. For a well documented report on the US role during this period, see 'Democracy in South Korea: A Promise Unfulfilled,' Prepared by the International League for Human Rights and the International Human Rights Law Group, New York, April 1985.

⁷ 'Recent US Policy in South Korea: A Prescription for Disaster,' unpublished paper by Jeffrey Seeds, New York Korea Action Committee, 1982. Estimates vary about casualties in Kwangju. The Korean government claims that no more than 200 died in the carnage, but opposition forces say the death toll was somewhere between 2,000 and 3,000.

⁸ *Asia Wall Street Journal*, *op. cit.*, 11 March 1980.

provided that [Chun] comes to power legitimately and demonstrates over time a broad base of support from the Korean people, and does not jeopardise the security of the situation here, we will support him because that, of course, is what we think the Korean people want.⁹

With this US approval, Chun quickly forced President Choi's resignation, and in a few days assumed the presidency. Asked to explain the US position a few weeks later, President Carter told the *Boston Globe* that

We would like to have a complete democracy [in South Korea] with full and open debate, free press and elected leaders. The Koreans are not ready for that, according to their own judgement, and I don't know how to explain it any better.¹⁰

Chun's new regime

Even before assuming the presidency, Chun and his military supporters were moving swiftly to refashion South Korea in their image of a 'new society'. In the weeks following the 17 May coup, thousands of people suspected of subversive thought and activities were arrested, fired from their jobs, or sent to 'purification' camps run by the military. Some four hundred journalists were expelled from their positions, while several hundred labour leaders were purged from the labour movement or fired from their jobs. 15,000 street toughs were rounded up (and later emerged from the military camps as 'plainclothes' police).

During the summer, Chun appointed a new Constitutional Assembly, which prepared a new Constitution. A new labour law was adopted that banned industrial unions and regional labour federations. These measures and other restrictions led to a 30 per cent drop in union membership and severely weakened the ability of the unions to organise. A new Press law was adopted, putting the media under strict government control; the National Security and Anti-Communist Laws used to imprison dissidents in the 1970s were combined to institutionalise the worst decrees of the Park era. But unlike the 1972 *Yushin* Constitution, the new Constitution stated that presidential terms were to be restricted to seven years to prevent long-term rule by one person. A system of indirect elections for President was also established.

⁹ 'US said ready to back Chun', Associated Press dispatch, *Portland Oregonian*, 8 August 1980

¹⁰ Quoted in 'General says South Korea needs "new leaders" and he is willing', *New York Times* 9 August 1980.

In February, 1981, Chun became the first foreign head of state to visit newly inaugurated President Ronald Reagan. A 'new era' in US-Korea relations was proclaimed. Since then, South Korea has resumed its role as a key military ally of the US and Japan in Northeast Asia. By 1983, economic growth had stabilised and direct investment began to increase, particularly from US manufacturing companies anxious to capitalise on the low wages and high productivity rates of Korean workers. However, Korean companies remained highly leveraged with an average debt to equity ratio of 70 per cent to 30 per cent. In 1985, the country's debt had reached almost \$50 billion, the fourth highest in the world.

The democratic movement of the 1980s

The events of 1979 to 1980 and the strong US support for the Chun regime over the past six years have had a profound impact on the ideology and structure of the democratic movement. What was once a Western-oriented movement based largely on middle-class resentment of Park Chung Hee's military dictatorship has been transformed into a nationalist struggle for independence from foreign intervention, and eventual unification. Leadership of the movement is no longer the domain of politicians and religious leaders; many of the country's dissident leaders now come from a largely underground mass movement representing the demands of the *minjung* (the people)—farmers, urban workers, intellectuals, cultural workers and dissident elements from the Catholic and Protestant churches. The emerging movement identifies more with the Third World than with the West, and seeks major changes in South Korea's political and economic relationships with the US and Japan.

As in the 1970s, the most respected opposition politicians are Kim Dae Jung and Kim Young Sam, who in 1984 became the co-chairmen of the Council for the Promotion of Democracy, a grouping of politicians and democratic activists opposed to military intervention in Korean politics. The Council became the core of the New Korea Democratic Party (NKDP), which captured nearly 40 per cent of the popular vote in the February 1985 National Assembly elections and is now the leading opposition party.

The strongest grouping of mass movement organisations is the United *Minjung* (People's) Movement for Democracy and Unification (UMDU). A coalition of twenty-three organisations representing

banned trade unionists, intellectuals, poets, dismissed journalists, church activists, and farmer groups, the UMDU was formed in 1984 as a vehicle to unite the many strands of the democratic movement. Its core consists of organisations and individuals active in the 1970s who believe their movement will not gain public support unless its many factions can unite behind a common agenda and purpose. Fiercely anti-fascist and strongly opposed to American and Japanese intervention in Korean affairs, the group's leaders want to build a grass-roots movement that will challenge military rule and South Korea's economic system without relying on alliances with politicians. While respecting people like 'the two Kims', many UMDU activists feel the politicians' political ambitions were a barrier to forging an effective anti-military alliance in 1979 and 1980.

'We want to develop a mass line to organise our people in one organisation that won't represent the interests of a single individual,' a Movement leader said in a 1984 interview. 'We have very different aspirations than any political party.'¹¹ Since its formation, the UMDU—which is chaired by the long-time Christian dissident, Moon Ik Hwan—has played a key role in mobilising demonstrations against Chun Doo Hwan's foreign policy and in criticising US support for the Chun regime. In the spring of 1986, many of its leaders were forced underground and arrested after participating in the 3 May Incheon demonstration that called for the withdrawal of US troops and nuclear weapons from Korea.

One of the most dramatic expressions of the movement of the 1980s is the so-called *minjung* cultural movement. Based in the traditionally militant province of South Cholla, this art form has gained tremendous popularity throughout the country, particularly in the rural areas. Adopting traditional means of expression such as wood-block prints and the masked dance, as well as modern forms such as novels and short stories, *minjung* art portrays the lives and struggles of ordinary workers and farmers and expresses the strong nationalist and anti-foreign attitudes that have characterised the Korean character for centuries, but have emerged recently in South Korea in response to more than twenty years of military rule and close ties with the US.

The prints, plays, novels and masked dance of the *minjung* art movement have redefined Korean history, tracing the Korean people's struggle—from the peasant revolt of the 1890s, through the 1919

¹¹ Personal interview, Seoul, August 1984.

uprising against Japanese colonialism and the general strikes and mass demonstrations against US military occupation in 1946, to the Kwangju Insurrection¹²—as one continuous struggle against foreign domination. Not surprisingly, the *minjung* movement has been harshly suppressed by the Chun government, which sees in it dangerous trends towards class struggle and identification with the Third World—ideas inimical to Chun's pledge to remake South Korea as a predominantly middle-class industrial power-house and join the ranks of the developed nations by the 1990s.

But it is this deep and growing conflict over the identification of the Korean nation that is at the heart of the struggle over the present Constitution and the emerging splits between the mass movement and the moderate opposition over a possible compromise with Chun and the military.

The growth of the movement, 1980–1986

The Korean opposition forces have gone through three distinct phases since the imposition of martial law in 1980. In the first phase, dating from the May 1980 coup until early 1982, the movement was still under attack and reconsidering its tactics and strategies. A second phase, from 1982 until early 1984, was a period of rebuilding grass-roots democratic organisations in urban factories and in the rural areas. Dissidents also began more actively to criticise the US for its policies of support for Chun, and to look again at the entire post-war history of Korea. In the third phase, the opposition began to form public organisations and publicly challenge the Chun regime's foreign and domestic policies in street demonstrations and other forms of protest. In this period, the political opposition reorganised in the form of the New Korea Democratic Party, and won a third of the seats in the New National Assembly. And for the first time in nearly three decades, the cry 'Yankee Go Home' began to be heard on South Korean campuses,

¹² Some of the most striking prints have come out of Kwangju area, where the memories of the May 1980 'People's Uprising' remains strong. One image portrays a Korean peasant warrior stamping out an American eagle: 'Down with American imperialism' the warrior's banner reads. In another, a Korean woman breaks her social and economic shackles and throws away the figures representing the country's dependence on foreign powers. One of the most famous prints from this genre illustrates what the Kwangju Insurrection has come to mean for many Cholla natives. local merchants joyfully distributing food to young armed fighters, the 'Kwangju Commune' in which citizens controlled their city for the first time in forty years and shared food, water, transportation, sorrow and joy. The tears of mourning and the cries of despair over the Kwangju massacre have clearly been transformed into shouts of resistance and the hints of a much sharper struggle in the days ahead.

underscoring a new dimension in the Korean situation: unlike the anti-government movement in the 1970s, many dissidents now see the US as an unfriendly country, and a barrier to democratisation and unification. The shift in emphasis from a struggle against dictatorship to a struggle against the US is one of the most significant developments of the 1980s and could have a far-reaching impact on US interests in Northeast Asia.

Anti-Americanism

The initial reaction to the US support for Chun (particularly the decision to allow Korean troops to be deployed to Kwangju) was one of despair and betrayal. But as Koreans began to study the events that had occurred, they began to conclude that American policy was no accident but a result of its own national interests.

In the early stage of anti-Americanism, the US was seen as the most important supporter of the Chun regime, and warnings were issued for US leaders to understand the nature of the Korean struggle in order to avoid a confrontation directly with the people. One of the key documents of this period was a leaflet distributed at the prestigious Seoul National University (SNU) in 1980. 'The US, seeing an imminent crisis in the growing Korean people's struggles in the 1970s, reorganized the country's ruling system through preventive measures on October 26, 1979, and now props up the fascist regime', the leaflet stated. Rather than directly attacking US policy, it posed the question: 'Can we continue forever to think of the US as a friendly country?'¹³

As sentiments like this were circulating on college campuses, disillusionment with US policies was spreading among religious dissidents and intellectuals. Under Chun, many people concluded, South Korea had become even more subordinate to US military interests than under Park. These dissidents have been particularly angered over the continuing presence of US nuclear weapons in Korea: reports that Pershing and Tomahawk missiles might be stationed in Korea, and the growing involvement of South Korea in American and Japanese military planning in the Far East.

A 1985 statement released by the Protestant Korean National

¹³ 'Call for a joint Anti-fascist struggle', leaflet distributed by Seoul National University students, December 1980. This document, like other leaflets quoted in the article, were made available to the author through dissident sources in South Korea. Because of strict government controls on printing in South Korea, few leaflets like this are actually published, but are instead printed and distributed by hand.

Council of Churches was an example of the resurgent anti-American mood among the more moderate sectors of the opposition. The Pentagon's nuclear strategies in Korea, the document stated, 'have threatened the survival of the Korean people, making our survival dependent on a foreign power', a situation that 'reminds us that American policy has been geared to American interests rather than to the development of the Korean people.'¹⁴

Economically, a series of well-publicised disputes between US multinational corporations and the Korean government have deepened the suspicion that the US is interested in Korea for its own ends. An audit of Bechtel Power Corporation's operations in the nuclear industry by the government-owned electric utility in 1984, for example, led to a brief investigation in the Korean National Assembly and sharp denunciations in the Korean press of 'unfair contracts' given to US firms. Koreans have also been angered by the growing protectionism in the US. In 1984, when the US Commerce Department charged four Korean companies with 'dumping' colour televisions on the US market, two major Korean business groups called for retaliation, and suggested that, to begin with, contracts for the next two nuclear projects be awarded to non-US firms. More recently, strong pressures on South Korea to open its market to US exporters of food, beef, service and 'high tech' products have sparked a number of student protests. In 1985, several hundred farmers attempted to march on the US Embassy in Seoul to protest at the US pressures to liberalise beef and grain imports; later in the year, a group of students occupied the American Chamber of Commerce in Seoul to protest about what they called US 'market terrorism', a slogan that has become part of the student protest lexicon.

An 'open letter' to President Reagan, written in 1985 by the UMDU explained how US political and economic policies were fanning the flames of anti-Americanism. Because this letter reflects the thinking of many Korean dissidents, it deserves some quotation here:

[The Reagan Administration] has maintained 'friendly ties' with the military dictatorship, and with a view to protecting and expanding the vested interests of the United States in this country, you have either brought for explicit demand or exerted implicit pressure. The US multinational corporations already in Korea are collecting huge profits through unfair contracts and through the sheer size of their capital. While the military dictatorship recklessly

¹⁴ 'Our position on nuclear weapons in Korea', Korea National Council of Churches, Seoul, June 1985. Made available to author from North American Coalition for Human Rights in Korea, Washington DC.

opens the door to US goods, the quantity of imported agricultural products increases by the day, driving the nation's economy and the livelihood of the rural population to ruin.

The mass culture of the United States, promoting cheap pleasures and reckless consumption, and paralyzing the critical faculties of the people, is inundating Korea. Even more serious than all of these facts is that Korea, in being a base for launching US nuclear weapons, may draw herself and the entire East Asia into the vortex of a nuclear war. We know well that your administration is experiencing intense opposition in many European countries to the deployment of nuclear weapons. Because of this, the United States is increasing its store of nuclear weapons in Korea where our 'docile government' welcomes such deployment and where, except for an awakened few, the general population has been too numbed to raise any protest . . .¹⁵

Since that letter was written, however, many in the UMDU, the student movement, and other sectors of the opposition have concluded that the US has no intention of being a 'true friend of Korea'. This has led to a major escalation of anti-American rhetoric and actions. In May 1985, a group of students seized the premises of the US Information Service in Seoul for several days, demanding a formal apology for US actions during Kwangju. These anti-US actions peaked in the spring of 1986 with student and worker demonstrations calling for the withdrawal of US troops and nuclear weapons from Korea.

The campaign to change the Constitution

The growth of the democratic movement, particularly the emergence of the student movement and the renewed strength of the labour movement, provided the impetus for the decision to commence with a national campaign to change the Constitution and have direct elections for president. On 17 March 1986, five major organisations formed a united front for pressing the constitutional petition campaign called the National Alliance for Constitutional Reform, and immediately launched a series of provincial mass rallies. Six people were named to sit on the Alliance council: Kim Dae Jung and Kim Young Sam of the Council for the Promotion of Democracy, Lee Min Woo, president of the opposition New Korea Democratic Party, the Reverend Moon Il Hwan of the UMDU, the Reverend Park Hyung Kyu of the Korea National Council of Churches (KNCC), and a lawyer, Lee Don Myong, representing the Korean Catholic Church.

¹⁵ 'Open letter to President Ronald Reagan of the United States of America', unpublished, United Minjung Movement for Democracy and Unification, Seoul, 10 May 1985.

The Chun government's reaction to the campaign was erratic. At first the constitutional campaign was blasted as illegal and a threat to national security. But as the Marcos regime collapsed in the Philippines and Chun's defiant opposition to open elections became increasingly untenable in the face of an official US line favouring elections, there was a shift: *constitutional change could be openly discussed, but no change would be allowed until after the indirect elections and the Olympic Games, both scheduled for 1988.*

Rather than press for sudden changes, Chun suggested a period of 'grand politics' in which the opposition would join with the government in maintaining unity and ending confrontation until 1989. This idea was soundly rejected by the opposition. Kim Young Sam compared Chun's use of the Olympics for propaganda purposes to Adolf Hitler's.¹⁶ The Korean Catholic Bishops stated that 'if "grand politics" dictate the denial or postponement of people's sovereign rights, we have no choice but to reject such ideas and to admit that the 1986 Asian Games and the 1988 Olympiad are going to be only covers for further oppression.'¹⁷ Several hundred priests issued public statements supporting the signature drive.

Then in March the rallies began, mobilising thousands of citizens in a vivid demonstration of the Korean desire for democratisation. But as this drive continued, anti-American demonstrations on campuses increased, with slogans calling for the withdrawal of US troops from Korea and labelling the Korean military a 'mercenary force' for the US. In late April, several students and workers burned themselves to death to protest at US intervention in Korea. In this atmosphere, Kim Dae Jung and several other leading dissidents issued a statement distancing themselves from the radical protests. Partly in response to this statement, several thousand students and workers rallied in the industrial city of Incheon¹⁸ chanting slogans against 'US imperialism' and

¹⁶ 'Thousands demonstrate in South Korea', *Washington Post*, 24 March 1980.

¹⁷ 'Letter from the Korean Catholic Council for Justice and Peace', Seoul, 3 March 1986. Made available to author from North American Coalition for Human Rights in Korea, Washington DC.

¹⁸ The series of events leading to the confrontation in Incheon began in mid-March, when anti-war, anti-nuclear, and anti-US slogans first appeared in a demonstration at Seoul National University (SNU) called to oppose the conscription of sophomore college students for military 'field training,' a euphemism for indoctrination and brutal punishment of political offenders. At the same time, several students candidates for campus government ran on a platform calling for a withdrawal of US troops and nuclear weapons from Korea and an end to the massive 'Team Spirit' military exercises that are held every spring. Then in late April, at twin demonstrations held at SNU and Sung Kyun Kwan University, students called the military training 'a mercenary training for Yankees,' a slogan that began to be echoed on other campuses. When riot police

criticising those people in the KNDP who were publicly discussing a compromise with the government.¹⁹

The public emergence of a leftist faction within the Korean democratic movement and the open criticism of the KNDP by these forces are also the outcome of a raging debate over the nature of the Chun government and the most effective means of challenging the military role in Korean politics. Many Korean mass movement groups view their participation in the NKDP campaign to change the Constitution as a tactical alliance. That is, they see the movement as an important means of gaining mass participation in the democratic movement and an educational tool to inform Korean citizens of the real nature of the military dictatorship.

The UMDU, for example, makes a clear link between the signature campaign and the broader movement for independence and eventual reunification with North Korea. On 5 March 1986 its leadership issued a statement calling the Chun government a 'military-dictatorial regime, made up of an extreme minority of anti-democratic, anti-national and anti-people military elite'. 'This campaign,' the statement declared, 'presupposes the retiring of the military dictatorship . . . We expect all Korean people to join . . . and thus to march with dignity toward the realisation of democracy and national unification.'²⁰ Student groups have taken a similar line and were crucial in mobilising the thousands of ordinary citizens who have turned out for the spring rallies.

But as Chun—backed by the US—has tried to conciliate the NKDP and other moderates by discussing compromise and by trying to channel

 confronted hundreds of SNU students gathered to protest student conscription on 28 April, two student leaders doused themselves with gasoline and - after police refused their demands to withdraw - set themselves on fire. Both died. They are among nearly ten Korean students, workers, and farmers who have committed suicide in the past year to protest the continuing repression in their country. The self-immolations and the sharp anti-American sentiments expressed at the campus demonstrations of 28 and 29 April—which reportedly drew some 7,000 students - brought immediate condemnation by the Chun government and the state-controlled press.

¹⁹ According to dissident sources in Seoul, riot police on the scene in Inchon violently attacked the demonstrators, who then fought back with Molotov cocktails and pipes. For the first time, the government-controlled television networks broadcast live scenes of the demonstration, apparently an attempt to show how violent the movement had become and sway public opinion. According to the NKDP, there were a number of paid government provocateurs on hand to stir up the crowd in Inchon. 'Inchon rally blocked by police-induced violence; NKDP calls for investigation', *Korea Weekly Report*, North American Coalition for Human Rights in Korea (Washington DC), 16 May 1986.

²⁰ 'Declaration of Pan-National Movement for Demanding Withdrawal of Military Dictatorship and Achieving Democratic Constitution', United Minjung Movement for Democracy and Unification, unpublished, Seoul, 5 March 1986.

the debate from the streets and back into the National Assembly, the divisions within the broad coalition have intensified.

Among the compromise ideas that have been floated are a proposal for 'dual rule', in which the president would be directly elected and the prime minister chosen by the Assembly; a parliamentary system in which the president is a figure-head and the prime minister indirectly elected; and a 'power-sharing' arrangement between the military and the political parties, based on the model of Brazil and some Latin American countries.

The US has played a role in this debate by encouraging the opposition to consider other arrangements besides direct elections. In his visit to Korea after the Inchon demonstrations, for example, the US Secretary of State, George Shultz, noted that 'obviously in a parliamentary system the prime minister is not elected directly at all . . . How [countries] design things can vary and you still call it democracy.' He also made comments highly critical of the opposition that were interpreted as an expression of near-total support of Chun.²¹

These attempts at compromise have been formulated with full knowledge of the make-up of the NKDP, which is made up of several different factions from the opposition party of the 1970s. The largest two factions are those loyal to Kim Dae Jung and Kim Young Sam. Kim Dae Jung is perhaps South Korea's most well-known dissident. A politician from Mokpo, a port city in the southern province of Cholla Namdo, Kim ran two strong presidential campaigns against President Park Chung Hee, almost winning in 1971 (Kim captured 45 per cent of the vote and many analysts believe he would have won if it had been a clean election). In 1973, while on a speaking tour of Japan, he was kidnapped from his Tokyo hotel room by the KCIA and forcibly taken to Korea, where he spent much of the next six years in prison or under house arrest. After the 1980 coup, he was charged with being a communist and organising the Kwangju Uprising, found guilty and sentenced to death. His death sentence was lifted in 1981 as part of a

²¹ 'An opposition which seeks to incite violence is not a contribution to [stability]', US Secretary of State George Shultz declared in a press conference en route from Tokyo to Seoul. In South Korea, he said, 'There is a terrific job being done in security, a terrific job being done in the economy, and an impressive movement going on in terms of the institutions of democracy'; the Philippines and Korea, he added, 'are about as dissimilar as any two situations you could imagine.' Shultz's comments and his refusal to meet individually with leaders Kim Dae Jung and Kim Young Sam astonished many in the opposition and added even more fuel to the anti-American flames. 'Shultz, in Seoul, says US backs Korea's efforts', *New York Times*, 8 May 1986.

complex deal in which Chun was invited to be the first foreign head of state to visit the newly inaugurated President Reagan.

Kim Dae Jung is strongly anti-communist, and is thus viewed with some wariness by the more militant sectors of the democratic movement. But he is highly respected for his courageous stand against military rule and for the suffering he has undergone in the long struggle for democracy. Because of his close connections with the mass movement—and perhaps because he is confident of making an excellent showing in an election—Kim has insisted on constitutional change and direct elections without conditions.

Kim Young Sam is more conservative and more amenable to compromise than Kim Dae Jung, and is viewed by many Koreans as a highly opportunistic politician willing to use the movement in order to advance his own position. This perception has been strengthened by recent events, in which he and his followers are reportedly intensively engaged in compromise discussions, sensing that Kim could be elected prime minister by a new Korean Parliament.

The most conservative wing of the party is led by Lee Chuel Sung. Lee, who has openly voiced his preference for a parliamentary system, made his mark in the 1940s when he was the leader of a fascist youth group that helped to break up left-wing worker and student organisations. After the 1960 Revolution that toppled Syngman Rhee, Lee was a key funder of student groups calling for reunification. During much of the 1970s, Lee led the opposition NDP and was one of the most vocal critics of Kim Young Sam when Kim assumed the leadership in 1979. He was in Washington with party leader Lee Min Woo for meetings with the Democratic Party leadership and the Reagan Administration in May when compromise was seriously discussed with the US.

Just days after their return, Lee Min Woo reached an accord with Roh Tae Woo, a former general and the head of the ruling Democratic Justice Party (DJP). The agreement called for a special session of the South Korean National Assembly to begin shaping a change in the constitutional provisions on presidential elections. According to the two men, the Assembly will revise the 1980 Constitution 'in a way that will guarantee the people a free choice in government.'²² The session began meeting in mid-June.

The accord was a major victory for Chun and the Reagan

²² Early basic law change possible if rival parties reach accord: 'Chun', *Korea Herald* (Seoul) 4 June 1986.

Administration. If the special session reaches agreement on the Constitution, Chun and Reagan will have succeeded in channelling the political struggle about the 1988 transfer of power out of the streets and into the safe confines of parliament—thus 'solving' the crisis and drawing a line between moderate, pro-US opposition politicians and the more radical groups who want an end to military rule and US intervention in Korean affairs.

But the compromise discussions also reflect a serious split in the NKDP, particularly between the forces of Kim Dae Jung and Kim Young Sam. Until the 30 May meeting between Lee Min Woo and Roh Tae Woo, the NKDP had insisted that no debate could be held until the government released political prisoners and restored the rights of Kim Dae Jung and 500 others barred from political activity. When the Lee-Roh accord was announced, however, nothing specific was said about settling these issues; instead they were listed as topics to be discussed in the special session.²³ Korean opposition forces in Washington say that Kim Dae Jung was not involved in or informed in advance of the compromise, but that Kim Young Sam was part of the process (party president Lee is from his faction).

The two men have not divided publicly over the issue, but in interviews with reporters, Kim Dae Jung strongly criticised Lee Min Woo's compromise. Moreover, he has stated that a constitution that does not contain guarantees for direct elections will not be tolerated by his faction or the mass movement. 'If we fail to realize a democratic constitution, next spring we will appeal to our people to rise up and have non-violent demonstrations in the streets to force democracy', he said. Kim Young Sam was more circumspect: 'I don't think it necessary to project the next step because I'm hopeful something will come up before then. If President Chun postpones this opportunity, it would be a bad thing for the people and the country.'²⁴

But any talk of compromise with military rule has been strongly condemned by the student movement. One statement from Seoul National University said that any system of power-sharing 'guarantees an indefinite reign by the military leadership . . . The process of its

²³ As the sessions began, Lee Min Woo said that any new constitution should ban military intervention in politics and 'insure the people's right to resist a military coup.' He added that issues like equitable distribution of wealth, employee participation in management, and the release of political prisoners would be discussed in the parliament. 'In Seoul, Legislature Begins To Debate Charter Revision', *New York Times*, 10 June 1986.

²⁴ 'Korea's opposition is inching toward its goal', *New York Times*, 8 June 1986.

adoption and implementation will not be based on national consensus but rather on the interests of politicians. We can clearly see the fallacy and must resolutely reject it.²⁵

The UMDU has also been strongly critical of those in the NKDP willing to talk about power-sharing with the military. In a long statement issued on 8 May—shortly before the organisation's president, Moon Ik Hwan, was arrested and its key leaders went underground—the UMDU saw any compromise that maintained a military role in politics as a sell-out of the democratic movement. 'The regime's proposals for the "grand cooperation" of all political parties and civilian organizations are nothing but a conspiracy to utilize the conservative opposition for their own interests', the statement said. It continues:

In world history, there has never been an instance where a dictatorial regime stepped down through dialogue or cooperation. There is no doubt about the fact that the vitalization of the people's movement is the only way to bring about the withdrawal of the dictatorship. The time has come for the NKDP, instead of emphasizing the fact that they are a conservative opposition party, to truly understand what the Korean people really hope for, and to participate fully in the struggle to abolish military dictatorship from our land . . . [We] have closely watched Secretary of State Shultz's visit to Korea. If he should instigate both ruling and opposition parties to form the 'All Conservative Coalition,' he will surely intensify our people's anger against the US.²⁶

Conclusions: some possible outcomes

One factor that makes the situation in South Korea so unusual is the 1988 'deadline' that both the government and the opposition forces are working under.

To President Chun and his supporters in the US, 1988 will be significant for two reasons. First, it will mark the first peaceful transfer of power in Korean post-war history; and second, the staging of a successful Olympic Games will usher this 'new Korea' into the ranks of the developed nations and mark South Korea's debut as a full partner with the US and Japan in the emerging 'Pacific Century'.

To accomplish this goal, a successful negotiation with the opposition

²⁵ 'Our position on constitutional revision', Seoul National University, unpublished leaflet, no date.

²⁶ 'Withdrawal of Military Dictatorship: The Only Way to Achieve Democratic Government. The Position of the United Minjung Movement for Democracy and Unification on the Present Political Reality,' UMDU, Seoul, 8 May 1986.

NKDP is required, both to change the Constitution and to accommodate public demands for a fair election in which the people actually have a choice. This could entail a power-sharing arrangement with the NKDP, with the insistence that Chun's Democratic Justice Party (and the military) maintain a hold on power. Such a 'compromise', however, must occur soon—either in 1986 or early in 1987—so that an election can be held in 1987, with the transition to occur in 1988.

For the opposition movement, reaching 1988 with the DJP still in power would mean a major setback for Korean democracy. Their 'deadline' is to force a constitutional change to allow for direct elections by 1987, and then open up the political process to debate on the direction of the Korean economy, local autonomy, political prisoners, the role of the military, and eventually reunification with the North. Open debate on such issues, they now claim, is impossible, and will remain so as long as the military can intervene in politics at will.

For this reason, the next year will be crucial for South Korea. If the current special session of the Assembly does not emerge with an acceptable compromise—such as direct elections—the mass movement, with the support of Kim Dae Jung, will probably take to the streets once again.

Another possibility would be for the conservative wing of the NKDP to agree to a power-sharing arrangement in which a prominent leader (for example, Kim Young Sam) would be elected prime minister in a parliamentary system of government, and share power with an indirectly elected president, most likely from the DJP. This could lead to a split within the party and massive public demonstrations. The result of such a breakdown could be deeper unrest, more repression, and a possible reimposition of martial law. Both scenarios could provoke a serious confrontation with the military.

The US government has an important role to play in the process. Both the Reagan Administration and Democratic Party officials with responsibility for East Asia support Chun's plan to step down from power in 1988 and preside over a peaceful transfer of power to a president chosen by the Korean people. But neither party has shown any support for those Koreans demanding a clear break with military participation in politics or Korean ties with the US, nor have they shown any inclination to recognise the causes of anti-Americanism. Instead, their policy is that Chun has built a respectable (albeit, repressive) civilian government with broad public support, and that American

interests dictate continued support for the Korean government.²⁷ The continuation of this approach to South Korean politics does not augur well for Korea—or the US.

If the situation deteriorates and the US is perceived as opposing demands for full democratisation, the anti-American feeling so prevalent today could become explosive. Many Koreans have warned that US support for another military coup would be the 'last straw' on the back of Korean-American friendship.²⁸ In any case, if a 'compromise' is worked out with the clear support of US officials that keeps the US-Korean military and economic ties intact, then the political situation is almost certain to grow more radical, and possibly more violent.

Despite US assurances that South Korea is on the road towards political stability, the country appears headed for a period of political turbulence and unrest. Unless the public demands for democracy in South Korea are met, events in that country could become explosive once again, with serious ramifications for both the region and the world.

²⁷ Shortly after returning from a trip to Seoul in late April, Representative Stephen Solarz – who is considered in Washington to be the most knowledgeable person in Congress on Korea – wrote an editorial in the *Washington Post* in which he argued that 'Widespread political instability in South Korea, which could easily occur if the government tries to suppress the opposition, might lead Kim Il Sung to miscalculate that the moment had come to reunify the peninsula under communist control.' South Korea, he said 'is an example of a country where we can more effectively promote our strategic interest by promoting our political values.'

Another important Democratic policymaker is Richard Holbrooke, who was President Carter's Secretary of State for East Asia and played a key role in the US role in 1980 and in convincing the Congress that the support for Chun was justified. Writing in the most recent issue of *Foreign Affairs* magazine, Holbrooke said that, to understand Korea, American observers 'must drop their ideological views of what constitutes political progress' and understand that 'things have changed substantially in Korea in recent years.' 'The current tensions in Seoul,' he wrote, 'are focused on the details of Chun's proposed system for selecting the next president in 1988 . . . they are not so much directed against Chun himself.' 'Total depoliticization of the military in the next decade [is] both unrealistic and unlikely' because 'of the undeniable security issue.' And American influence over the next few years 'must be exercised with great skill and an absolutely clear-eyed understanding of the US national interest.' Stephen J. Solarz, 'After Manila, is Seoul next?' *Washington Post*, 27 April 1986; Richard Holbrooke, 'The next challenge,' *Foreign Affairs* 64 (4) Spring, 1986.

²⁸ See my article 'Korea: stirrings of resistance', *The Progressive*, February 1986.

Militarism and repression in Indonesia

The Indonesian military regime enjoys the reputation in the West of being one of the most stable regimes in the Third World. Few commentators explain however that this stability has been achieved by means of the systematic repression of all social forces and the imposition of a highly manipulated political structure. Even fewer bother to remind their readers that Suharto's military government came to power by unleashing a bloodbath that left an estimated one million people dead. While murderous despots like Pol Pot and Idi Amin have been effectively disposed of and their regimes are now spoken of with righteous horror, the regime of Suharto and his generals lives on, favoured by Western powers. Its bloodthirsty crimes in Indonesia itself as well as in West Papua and East Timor, and the totalitarianism that now prevails in the country, are hidden from view.

The main characteristics of the regime are: rule by a violent and ruthless military bureaucracy which controls every facet of life, its fanatical hatred for left-wing ideology and political Islam—two ideologies that have long traditions of mass support in the country—and its determination to impose ideological conformity on the entire population in order to perpetuate the survival of militarism. The regime has reinforced the role of central government and a strongly centralised bureaucracy, the foundations of which were laid in Dutch colonial days and further buttressed during the Japanese occupation and the two decades of Sukarno's presidency from 1945 to 1965.

Many of the essential features of the present-day military bureaucracy are rooted in the period of Sukarno's 'guided democracy', throughout the course of which martial law in one form or another remained in force. The central doctrine of Indonesian militarism, which was formulated and on its way to being implemented in the decade before Suharto seized power in 1965, is the *dwi-fungsi* or 'dual function' which prescribes that the Indonesian Armed Forces (ABRI, Angkatan Bersenjata Republik Indonesia)—primarily the army—must dominate political and social as well as military and security affairs.

ABRI's military and security function

The military and security function is concentrated in the hands of the territorial army, military intelligence and the elite troops, all of which play crucial roles in giving support to Indonesia's militarist establishment. The army's primary strategy for maintaining control of the population is its doctrine of 'territorial management', a doctrine that dates back to the 1950s and was first formulated by General A H Nasution (now retired, and a political outcast) when he was Army Chief-of-Staff. The objective of territorial management, as one territorial commander recently put it, is:

To manage the potentials of an area including the geographical and demographic factors and the ideological-political-social-cultural-military conditions, in order to create regional strength as the invincible arena, instrument, and conditions of struggle for implementing the defence-security task by means of the security approach.¹

It is a doctrine which asserts the army's indisputable right to manage all aspects of society in the interests of national security. The command structure of the army is designed to parallel the civil administration right down to the villages. Territorial troops are thus able to operate a system of direct control over the population in both urban and rural districts.

It is through the Army's territorial structure that the system of repression functions, feeding and fed by military intelligence. Security is the responsibility of KOPKAMTIB (Komando Operasi Pemulihan Keamanan dan Ketertiban, Operational Command for the Restoration of Security and Order), the organ of repression that was set up by General Suharto in October 1965. Today, KOPKAMTIB is under the command of General Benny Murdani, Commander-in-Chief of the Armed Forces. Murdani enforces the special powers vested in this instrument of repression through the army's command structure of regional and local territorial commanders, in their capacity as executive officers of KOPKAMTIB.

KOPKAMTIB was originally set up to persecute the left and is still in charge of the surveillance of former political prisoners and of all people suspected of being former members or sympathisers of the outlawed Indonesian Communist Party (PKI) which was banned in 1965. Over the years, KOPKAMTIB has also dealt with other political opponents

¹ Brigadier-General Sembiring Meliala, *The Basic Pattern of Territorial Management Specific to Irian Java, Employing the Method of Community Development Centres*, April 1984, p. 5 (Internal army document, unpublished).

of the regime, notably student protest in the 1970s and the more recent resurgence of Muslim opposition.

The other main intelligence body is BAKIN (Badan Koordinasi Inteligen, Intelligence Coordination Agency), run by General Yoga Sugama who was trained in intelligence work by the Japanese during the Pacific War. BAKIN concentrates primarily on spying and on providing the regime with assessments of the nature and origins of political dissidence.

ABRI's social and political function

The social and political ('sospol') side of the army's dual function operates at many levels. Overall political and economic strategy has since 1965 been the prerogative of the Armed Forces leadership. Suharto stands at the pinnacle of this decision making process as Head of State and Head of Government. He is the acknowledged arbiter of policy, and is served in all sectors of the state administration by officials—some civilian but mostly military—who are loyal to him and dependent on him for the patronage and high office he can dispense.

Both legislative bodies, the DPR (Dewan Perwakilan Rakyat, People's Representative Assembly) and the MPR (Majelis Pemusyawaratan Rakyat, People's Consultative Assembly) are controlled by Suharto and the Armed Forces leadership. Well over 80 per cent of DPR and MPR members are appointed directly by the President or by organisations under Armed Forces control, primarily the army's political wing known as GOLKAR (Golongan Karyawan, Function Groups). Legislation initiated by the military government is not only assured a safe passage through both houses, but the military have also imposed a system that guarantees unanimity in both houses by means of a system of consensus that has been written into DPR and MPR standing orders.

The most telling example in recent years of the compliance of the legislature to the dictates of the regime is the unanimous adoption of five political laws in 1984 and 1985 regulating the entire political system. One of these five laws is the Societies' Law which requires all political and social organisations to accept the state ideology, *Pancasila*, as their sole ideology or *azas tunggal*.

The judiciary is also under firm military control. The Attorney-General, the Minister of Justice and the Chairman of the Supreme Court are all lawyer-generals from the Army's Law Academy. Judges

are government employees, and as such, are required to join the civil servants' association and pledge loyalty to the state doctrine and government programmes. As if this were not enough to guarantee the loyalty of the judiciary, the Supreme Court chairman has created a new structure ensuring close collaboration between judges, public prosecutors and the police.

Regional and local government is heavily militarised under the Department of the Interior, where 55 per cent of senior officials are from ABRI.² Thousands of active-service and retired soldiers have been appointed as governors, district, sub-district and village heads which means that military control of the population is twofold, through the army and through the civilian administration.

The 'sospol' function is further reinforced by the appointment of military personnel to key positions throughout the state bureaucracy, in central government departments, as ambassadors and in regional and local government.³ The military bureaucrats are known as *karyawan* (functionary), a term originally invented before 1965 to replace the word *buruh* (worker) which, according to military thinking, is dangerously linked to the idea of conflict and class struggle. Increasingly, however, the term has come to be associated with ABRI's 'sospol' functionaries.

The *karyawan* system originated under pre-1965 martial law and involves both active-service and retired officers who remain under ABRI discipline. Army commanders at every level of the hierarchical structure have 'sospol' assistants who are responsible for selecting military bureaucrats and making sure they comply with internal army regulations governing *karyawan* activities, throughout their term of 'non-military' office.

The irrelevance of political parties

When Suharto came to power in the mid-1960s, the first priority of his military task-force, the elite para-commandos, was the elimination of the left-wing movement under communist leadership, which by 1965 had a following of some 15 million. Once the left had been physically annihilated, the other political parties were subjected to massive

² See John MacDougall, *Indonesia Reports* (Maryland: Indonesia Publications) No. 14, p. 3 March 1986.

³ See MacDougall, *op. cit.*, for an analysis of the shifts in military penetration of the higher central bureaucracy since his earlier analysis of 1981.

military interference, bringing them into line with the political requirements of the regime. After the first post-1965 general elections in 1971, the surviving parties were forced to merge into two parties, one composed of the Muslim parties, the Partai Pembangunan Persatuan, United Development Party (PPP), and the other, an amorphous coalition of nationalists and the Christian parties, the Partai Demokrasi Indonesia, Indonesian Democracy Party (PDI). The requirement to merge was the first step towards divesting the parties of their separate political identities, and forcing them to dedicate themselves to supporting the government's policies and programmes. But it has always been a part of Suharto's scheme of things to retain the appearance of a multi-party system, staging general elections every five years, as if some kind of democratic system is in operation.

Every general election under Suharto has been stage-managed in such a way as to secure GOLKAR an overwhelming majority. GOLKAR is composed primarily of state functionaries and employees, all of whom are required to join the GOLKAR subsidiary, KORPRI, the association of state employees. In accordance with the doctrine of the 'floating masses' which asserts that people in the countryside must be protected from 'disrupting' political influences so as to devote themselves solely to productive endeavour, the two non-government political parties are prohibited from having branches in the villages and sub-district towns. However, GOLKAR's presence is assured because all local state functionaries are members of GOLKAR.

At all three general elections held since 1965, GOLKAR has enjoyed military support, along with massive funding from the state, support from the Interior Ministry and the help of central election and local polling committees which are heavily weighted in favour of GOLKAR. Faced with such an impressive electoral machine, the other parties have never been able to pose a serious challenge to the GOLKAR bulldozer. In addition, they have been subjected to widespread intimidation, as well as being forced to submit their lists of candidates to KOPKAMTIB scrutiny.

It should not be imagined however that GOLKAR, having won a general election, then takes office and runs the executive. It has been nothing more than an adjunct of the military, its electoral vehicle. It has provided the military regime with a loyal bureaucracy, and has been the institution capable of securing prestigious jobs for its members.

But in the more recent past, there have been some noticeable shifts in GOLKAR's position. Since the 1982 elections, GOLKAR has been

converted from a federated organisation, composed of disparate : fractious components run in most cases by retired army officers, into an organisation composed only of individual members. It now claims membership of ten million people, of whom the majority are said to have undergone cadre training. This re-organisation is aimed at making GOLKAR more independent of the army which, for its part, appears to have had enough of fighting GOLKAR's electoral battles. On the recently completed reorganisation of the Armed Forces, 'professionalism' is the buzz-word, coupled with training in the use of more sophisticated weaponry and the creation of rapid-deployment units ready to deal with local unrest. This means that troops are unlikely to be called upon to get too deeply involved in GOLKAR electoral campaigns, except of course for specific security duties before and after polling day.

Under the ambitious Lieutenant-General Sudharmono, head of the State Secretariat, who took over as GOLKAR chairman in 1983, there have been signs of conflict between GOLKAR and the Armed Forces. The most widely publicised was the dispute over the appointment of governor of Riau Province, a dispute that may have presaged moves by GOLKAR to win for itself more top positions in the bureaucracy. In the case of Riau, it was the army's man who won the appointment. But there are apparently reports circulating in Jakarta claiming that Sudharmono thinks that he will be able to stake a claim for the vice-presidency when Suharto is elected to a fourth term in 1988, if GOLKAR reaches its target of nearly 68 per cent of the votes in the 1987 elections.

Pancasila totalitarianism

The idea that the state must have its own ideology has bedeviled Indonesian political life for many years, since long before Suharto seized power. The set of five principles known as *Pancasila*—monotheism, nationalism, humanitarianism, decisionmaking through consensus, and social justice—was Sukarno's answer to pressure from some Muslim circles who were demanding a state constitution that would give Islam a privileged status. The principles were vague enough, or so Sukarno thought, to be acceptable to all the disparate political and religious beliefs. But as Sukarno, backed in those days by the army, constructed his system of guided democracy in the late 1950s, *Pancasila* was turned into a pledge of loyalty to the state leadership, without which parties would not gain official recognition.

Suharto has refined this tool of ideological conformity, using it beyond anything Sukarno could achieve to depoliticise Indonesian society. The 1985 Societies' Law making it mandatory for all organisations to accept *Pancasila* as their sole ideology or principle—*azas tunggal*—completed the process begun under Sukarno.

But this was not all. The militarised state then embarked on a major project of indoctrination, through compulsory, two-week *Pancasila* courses (known as P4) for all. Introduced initially in 1978 for state employees, the 1983 session of the upper legislative assembly extended the project to all citizens. The only people excluded are left-wing suspects and ex-political prisoners who, according to recent official statements, number no fewer than 1.7 million people. To allow such people to participate in P4 courses would imply their ideological rehabilitation and deprive the Army of the need to whip up campaigns of anti-communist hysteria against this 'latent danger'.

Suharto's choice for the ideological supremo in charge of this project was (retired) General Sarwo Edhie, the man who commanded the para-commandos at the time of the 1965–66 massacres. Sarwo Edhie has never made any secret of his personal role in the killings. There could hardly be more convincing proof of the indivisibility between physical and ideological terror.

The totalitarianism of Suharto's '*Pancasila* democracy' is most evident in the 1985 Societies' Law which gives the Executive unlimited powers to force organisations to merge, to examine their sources of funding, especially funds from abroad, and to suspend and dissolve them at will. Any organisation with a strong ideological commitment of its own has been dealt with by the well-tried expedient of interference. When the Islamic Student Association (Himpunan Mahasiswa Islam, HMI) showed signs of resisting the sole-ideology obligation, local branches were infiltrated or disbanded and new ones created, so that, by the time the HMI congress took place in March this year, it was ready to conform.

Members of the government have also gone to extraordinary lengths to ensure that social organisations are led by people amenable to government pressure. This was particularly evident at the HMI congress and in the congress earlier this year of the state-sponsored trade union federation, the SPSI. The PDI party congress even resulted in the party imploring the government to appoint its chairman for it, as conflict between delegates took the congress to the brink of physical disorder. Under the state-managed political system now entrenched in Indonesia,

social and political organisations have lost all pretence of independence from the executive.

The economic foundations of military power

Military control of the state bureaucracy has given officers and military institutions access to great wealth. The process started already in the late 1950s when Dutch companies that were seized as part of Indonesian confrontation with the vestiges of Dutch colonial power, were placed under military management. The burgeoning state sector turned military officers into businessmen or managers. The prime example of this was General Ibnu Sutowo, who was appointed President-Director of the state petroleum company Pertamina (then still known as Permina) in 1957, building it into a huge holding company with interests in commerce, insurance, transportation, real estate and shipping. When Pertamina collapsed in 1975, at the height of the oil boom, with foreign debts of around \$10,000 million, Sutowo lost his job but not his private fortune.

But the process of the Suharto family's enrichment took a somewhat different course. Suharto's alliance with business dates back to the 1950s when, as commander of the Diponegoro Army Division in Central Java, he promoted the concerns of several Chinese businessmen. Chief among them was Liem Sioe Liong whose interests flourished, particularly after Suharto took power. Liem started life as a small-time money-lender in Central Java and lent money to Suharto while he was still a struggling junior officer in the 1940s.

Liem's corporate power grew largely out of the profits of monopolies in clove imports (widely used in the popular kretek or clove-scented cigarettes) and flour milling granted in the late 1960s and early 1970s. The Liem empire has grown since then to include a major share of Indonesia's cement production, the largest private bank in the country, a controlling interest in Indonesia's major steel plant, plus holdings in offshore banking and commercial interests in Hong Kong, the Netherlands and California. The Liem family empire is estimated to be worth between \$2 billion and \$3 billion, which puts it among the wealthiest corporations in the world.

Members of the Suharto family, including Mrs Suharto, their three sons, their daughter, a step-brother and a foster-brother, plus many distant relatives, all own shares in Liem's enterprises. Thus, for instance, Suharto's son, Sigit and his daughter, Siti each own 16 per cent

of the shares in Liem's Bank Central Asia, while Mrs Suharto's several 'charitable foundations' receive a large share of the profits of Liem's Bogasari Flour Mills.⁴

Enriched by such profitable investments, Suharto's three sons have launched out on new ventures, and are now believed to have a controlling interest in at least thirty companies loosely gathered together as the Bimantara Group.⁵ Their attraction to multinational corporations keen to win major contracts lies in their ability 'to win control of licences and supply contracts, and [let] others execute them'.

There are many examples of state intervention specifically benefiting companies in which Suharto family members or hangers-on own shares. Liem's company, Indocement, was granted \$360 million last year in the form of a share purchase by the state to help it service its dollar debts, at a time when the cement market was hit by falling demand. Mercu Buana Raya, the contractor company owned by Suharto's step-brother, Probusutedjo, recently won two major parts of a \$700 million hydropower development for sub-contracting to a major French firm, while his son Tommy, through a new company SEWU, won control in 1984 of a sole licence to develop an offshore supply base on Batam island.⁶

The Suharto family wealth has long been a public secret but it is a subject regarding which Suharto displays extreme sensitivity. The most recent example was the enraged response to an article published in the *Sydney Morning Herald* on 10 April 1986 setting out the details of the Suharto-Liem tie-ups. The article contained little information that was new, much of it, in fact, having already appeared in articles about the Liem empire that were published several years ago in the *Far Eastern Economic Review*. The result however was the blanket exclusion of Australian journalists from covering Reagan's visit to Bali in May, the cancellation of visits to Australia by senior Indonesian officials, the threatened rejection of Australian military assistance, the sudden withdrawal of visa-free entry for Australian tourists (a decision that caused so much embarrassment that it was reversed 24 hours later), and the ejection from Indonesia of White House-based Australian journalists from Bali airport at the very moment President Reagan was being welcomed by Suharto.

The regime's insistence that everyone should defend Suharto against

⁴ David Jenkins, *Sydney Morning Herald*, 10 April 1986.

⁵ *Far Eastern Economic Review (FEER)* 22 May 1986.

⁶ *FEER*, 22 May 1986.

By the time this is published Winnie Mandela might well be back in prison, a possibility—and often a reality—with which she has lived for twenty-seven years. Never a great respecter of unjust 'laws', she has for several months been living in open defiance of them. Officially confined to a remote village in the Orange Free State, she has become an increasingly familiar figure on the world's television screens: giving interviews in Johannesburg and Cape Town, addressing a vast crowd in Mamelodi. Prohibited from being quoted and forbidden even to prepare anything for publication, she has provided the material for these two books. She has simply ignored explicit government orders to return to her place of banishment. With superb strategic sense and political judgement she has taken full advantage of the present virtually ungovernable state of South Africa completely to disregard the stringent restrictions imposed on her by the government and has contributed tremendously to the world's awareness of what is happening in South Africa. Perhaps her effect on camera had more to do with the government's news blackout than the effect of the cameras on the 'riots'.

The South African government relies on force and intimidation to impose its will. Winnie Mandela has shown that she has no fear and will not be intimidated. For almost thirty years she has been subjected to the most severe harassment. She was first imprisoned in 1958 and for the past twenty-three years has only been free of some sort of restriction for ten months. She has been banned, house arrested and banished; she has served terms of imprisonment and been subjected to long periods of detention without trial. But, as she herself says, 'When they do these things to you year in and year out, they actually make a politician out of you'. We only receive fleeting glimpses of what sort of politician she is from these two books, but her recent actions speak louder than any words could.

Neither of these books claims to be the definitive work on Winnie Mandela. The first is a very readable story—at times almost of a fairy-tale quality—which serves the useful purpose of informing a wider audience of the history and nature of the black struggle in South Africa and of the calibre of the people produced by it. The second gives the impression of being a hasty compilation of any material that was available. Nobody can be expected to write their biography through the medium of informal conversation. It is not an adequate vehicle through which Winnie can express her views. Nevertheless, it contains some powerful pieces by her, as well as some moving tributes from friends and some rare letters from Nelson Mandela. It is the first opportunity Winnie Mandela has had of publicly expressing her views at any length. These, obviously, deserve and need to be read.

the foreign investment fraternity centres on the regime's so-called high-cost economy, 'a euphemism for payoffs and trade practices that require dealings with Suharto-favoured companies'.⁹ These complaints were high on the agenda when President Reagan met Suharto in Bali in May this year.

What reason is there to believe that a regime whose leader has benefited so much from corruption will act effectively to stamp out the malpractices that are turning Western financial institutions and Western investors into such vocal critics? There were hopes last year that Suharto would use his exceptional personal authority to respond, when he took drastic measures to end corruption in customs and excise and clean up the harbours. In a presidential instruction (Inpres No 4), he turned over the duties of inspecting foreign trade and collecting import and export levies from the Directorate-General of Customs Duties (*Bea Cukai*) to a Swiss company, *Société Générale de Surveillance* (SGS), thus apparently undercutting the interests of many military and civilian hangers-on. This was seen at the time as a bold move, proving that Suharto could ignore the political consequences of damaging the interests of circles whose support has been so vital.

A year on, and it now turns out that Inpres 4 has done little to curb smuggling and corruption in the harbours. In desperation at the failure of his 'bold' move, Suharto turned to KOPKAMTIB, instructing it to treat violators of Inpres 4 as subversives liable to prosecution under the draconian anti-subversion law.¹⁰ Few people will believe that KOPKAMTIB can be any more successful than the SGS in curbing the cancer that undermines the economy.

It is clear that the retrenchment provided for in the 1986 budget is far from adequate to deal with problems being confronted. In a move to encourage more foreign investment, new measures introduced in May 1986 allow foreign companies to import materials needed in the production process rather than being forced to use higher-cost domestic products. The government has also greatly reduced the economic sectors that have for years been closed to foreign companies. At the time of the 1986 meeting of the Inter-Governmental Group on Indonesia in June, held to decide the next annual aid commitment from the West (the amount agreed was \$2.5 billion, a \$100 million increase on 1985), the World Bank made it clear that it would be pressing for yet more

⁹ *The Washington Post*, 2 May 1986.
¹⁰ *Jakarta Post*, 3 June 1986.

concessions for foreign investors, and for more austerity measures that will cut living standards and are bound to reduce the economy's ability to absorb the 1.9 million people who yearly swell the country's labour force.

The already impoverished workers and peasants will see a further reduction in their living standards, but in a way, this is no new experience. It is not easy therefore to argue that the present retrenchment will lead in the short term to a rising tide of protest in the countryside and the factories. But the impact on the middle-class beneficiaries of Suharto's 'seven fat years' is likely to be far more dramatic. Unlike the unorganised poor who have as yet failed to make sustained protest against the government, middle-class critics can find channels for their views in the press and can also take advantage of the fissures that appear to be occurring within the military establishment. For them, the issue of democratic rights is bound to take on a new significance. The regime has been preparing itself for this and it is now in the habit of listing 'liberalist thought and human rights advocacy' as the first of several 'extremist' ideologies threatening national security. The other two, according to BAKIN, are 'the extreme left' and 'the extreme right' or 'Muslim fundamentalism'.

Political opposition

Up to now, opposition to the Suharto regime has been spasmodic and fragmented. This is partly the result of the traumatic impact of the 1965 massacres and the regime's constant use of the communist bogey. Partly, it reflects the overwhelming presence and effectiveness of KOPKAMTIB, the agency of repression, and partly it is the consequence of years of relative economic prosperity for middle-class Indonesians.

The destruction of the pre-1965 left-wing movement in the wake of Suharto's rise to power was such that the chances of a left-wing revival in the foreseeable future are still minimal. The government nevertheless wages regular campaigns against 'ex-PKI [Partai Komunis Indonesia] suspects'. The latest version of the campaign, launched in 1985, is focused on the re-registration of all former political prisoners and alleged former PKI members or sympathisers, allegedly to decide who will be allowed to vote in the 1987 general elections. The main purpose of re-registration is to remind all Indonesians of this 'latent danger'. Reports frequently appear in the press about the number of 'suspects' if

each region of the country. In addition, publicity is regularly given to the discovery of alleged PKI sympathisers still occupying positions in government departments, schools, the media or other 'sensitive' places.

There have been many dismissals of people who for twenty years were allowed to remain in their jobs. More than 6,000 employees of several oil companies were dismissed late last year for alleged membership, prior to the Suharto take-over, of trade unions that were outlawed in 1965. The prison service is currently being subjected to a purge of 'PKI suspects', largely to make way for retired army personnel.

The anti-communist campaign not only creates the illusion of a growing security threat as the 1987 elections draw near. It also has the effect of intimidating people against taking action to protest at falling living standards and growing impoverishment in the countryside and the cities.

Since the early 1970s, several attempts at protest have been made by intellectuals raising the banner of free speech, the right of assembly, and criticising the extremes of poverty and wealth, land dispossession and widespread corruption. The student protests of 1974 and 1978 failed however to establish any momentum and were dragged down by damaging, intra-regime conflict. After the 1978 student protest movement, the government set about paralysing the campuses by means of a programme of depoliticisation. As a result, the student movement has been effectively emasculated and the occasional outbursts of discontent that have occurred on campuses have been quickly neutralised.

The one dissident movement to show resilience and staying power is the Petition-of-50 Group launched in 1980 with a 'Statement of Concern' challenging Suharto's interpretation of the army's *dual-function* and rejecting his claim to be the sole arbiter of the meaning of the *Pancasila* ideology. The group, comparable to Czechoslovakia's Charter '77 movement, consists of politicians of pre-1965 eminence who yearn for a return to the traditions of the multi-party system, along with retired senior Armed Forces officers unhappy with Suharto's style of militarism. The group meets regularly and has issued pronouncements on many issues, none of them published in the Indonesian press. The members are prevented from airing their views in the media, and lack grass-roots support. The group's boldest challenge to the regime came in 1984 when it issued a White Paper challenging General Murdani's version of the Tanjung Priok massacre in September that year. This stand brought the group into open conflict with the Armed Forces

leadership, and resulted in several members being arrested and charged for alleged complicity in the Muslim unrest which has now become the regime's prime target.

Rebellious Islam

Muslim opposition has been a force to be reckoned with since the mid-1970s. In some parts of Java where Islam absorbed much of Java's pre-Islamic tradition, Muslim organisations like Nadhatul Ulama and Muhammadiyah have been willing to accommodate to the various regimes in power since pre-war days. But elsewhere, where devout Islam was reinforced by a reformist movement earlier this century, it has been far less accommodating to state power and has been basically disillusioned with the highly centralised state machinery favoured since Dutch colonial days. As a result, Islam has for decades been sympathetic to the ideas of regional autonomy or even secession which enjoyed support in several parts of the country during the first two decades after independence. In Aceh, West Java and South Sulawesi, regionalism joined forces with movements for an Islamic state. This has led to a historic antagonism between non-Javanese Islam and the Armed Forces, always the most vigorous proponents of centralisation and the unitary state.

For some years after 1965, political Islam held on to the illusion that the PPP (Partai Persatuan Pembangunan, Development Unity Party), the merged Muslim party which was allowed under the regime's terms to engage in limited political activity, could be a vehicle for political action. Since 1978, that illusion has evaporated. In many parts of the country, Muslim congregations have developed their own independent structures, helped along by itinerant preachers and mosque-based youth committees that are critical of many aspects of government policy and resentful of the limitations on freedom of speech.

Protest became particularly vociferous in 1984 following publication of the draft Societies' Law which Muslims recognised as being directed specifically against them. The movement was under no identifiable leadership. Many mosques had become platforms for political agitation despite the efforts of the security forces to ban certain preachers and enforce a system of licensing on those allowed to preach. The Korp Mubaligh Indonesia (Indonesian Lay-preachers Corps, KMI) whose chairman is Sjafruddin Prawiranegara, a former prime minister, has

many outspoken members, functioning as itinerant preachers who became very popular among mosque congregations.

In September 1984, troops in Tanjung Priok, Jakarta's dockland, fired on thousands of demonstrators who were demanding the release of local mosque officials held by troops. General Benny Murdani, who was in Tanjung Priok at the time, overseeing the operation, claimed the next morning that nine people had been shot dead, and that 'armed' demonstrators had set out to attack a military command post that was protected 'by only fifteen soldiers'. But eye-witness accounts soon circulated privately, giving a very different version.¹¹ The army clamp-down on information, coupled with strict orders to the press to confine themselves to official accounts, made any independent investigation of the affair impossible. But reliable sources in Indonesia believe that several hundred people were killed—according to one source, as many as six hundred—many of whom were later buried by the military in a mass grave. The Tanjung Priok incident bore all the hallmarks of an intelligence operation, and was staged just as the issue of making *Pancasila* mandatory was causing considerable unrest.

Murdani's distorted account of the Tanjung Priok massacre provoked an outburst of protest and the dissemination of leaflets contradicting Murdani's claims. There were hundreds of arrests, among them leading members of KMI. Since December 1984, hundreds of people have been tried, among them severely wounded victims of the Tanjung Priok massacre, lay-preachers, and activist Muslims allegedly involved in bombing incidents that occurred shortly after the massacre. The wave of trials is intended as a display of Murdani's 'get-tough' policy towards unruly Muslims, but they prove the depth of the regime's paranoia about the level of unrest.¹²

Some of the trials have boomeranged because of defence lawyers' efforts to expose the true facts about Tanjung Priok. This concerns not only the high death-toll and the callous shooting-down of unarmed people, but also revelations that could prove military complicity, provoking a demonstration that had such tragic consequences. The most outspoken of these lawyers, Buyung Nasution, has since been charged with contempt of court and is in danger of losing his licence to

¹¹ See in particular 'Bloody Wednesday Night in Tanjung Priok' in *Indonesia Reports* No 3, January 1985, Politics Supplement, pp 1-9

¹² *TAPOL Bulletin* No 75, May 1986 reports that 129 convictions are known to have been passed, since December 1984, and gives a breakdown of sentences and type of cases

practise. In its case against Buyung, the judiciary is showing yet again how it serves the political needs of the regime.

The exceptional thing about Buyung Nasution and other human rights lawyers associated with the Legal Aid Institute is that, unlike the Petition-of-50 Group, they can still use the press as an outlet for their views and criticisms. Indeed, the courtrooms have become the only official platform for the public expression of anti-government opinion.

Indonesia's colonial wars

West Papua fell under Indonesian rule in 1963, under the terms of an accord, the New York Agreement, concluded between the Netherlands and Indonesia as the result of mediation by Washington, and endorsed by the United Nations. The accord dashed Papuan hopes for independence. Resistance to Indonesian rule soon took the form of armed struggle. The referendum held in 1969 violated the terms of the New York Agreement. The Indonesian authorities allowed only 1,025 hand-picked chieftains to take part. To its shame, the UN General Assembly accepted this as an act of self-determination, despite overwhelming evidence of the use of force to prevent protest against this so-called Act of Free Choice. Since then, the UN has turned its back on the West Papuan people.

Indonesian administration of West Papua has been repressive and racist, intensifying opposition throughout what is now called Indonesia's province of Irian Jaya. An aborted uprising in Jayapura, the provincial capital, in February 1984, resulted in some 12,000 Papuans fleeing across the border to Papua New Guinea. The problems of West Papua have been further aggravated by Jakarta's plan to re-settle hundreds of thousands of landless Javanese and Balinese peasants in the territory, seizing without compensation vast areas of land used for generations by tribal people.

Although the West Papuan guerrillas fighting with the Organisasi Papua Merdeka (Free Papua Movement) are poorly armed, they enjoy the advantage of mobility, familiarity with the tropical rain-forests and the support of the tribal people. The 1984 attempted uprising proved moreover that support for the OPM is widespread among city-based Papuan intellectuals and among Papuans serving in the Indonesian army.

Jakarta is particularly concerned about consolidating its hold along the eight hundred kilometre border with Papua New Guinea, but it is

precisely in this region that the guerrillas have proven capable of sustained military operations against army and police outposts. Since the last quarter of 1985, they have launched a number of audacious attacks on Indonesian military positions, forcing Shell, for example, to halt seismic studies along the north coast, west of Jayapura.

East Timor, formerly a Portuguese colony, stood on the threshold of independence in 1975. But nine days after the Democratic Republic of East Timor was proclaimed on 28 November 1975, Indonesian troops invaded, unleashing a war of devastating proportions. Armed resistance organised by Fretilin, the Revolutionary Front for an Independent East Timor, held back the forces of occupation for several years, until the Indonesian Armed Forces, re-equipped with OV-10 Broncos and A4-Skyhawks from the US, were in a position to bomb the resistance out of their defence positions, and force the people of East Timor to leave the mountainous interior. The death toll in the first four years of the war is estimated at 200,000, nearly a third of the population.

Despite this serious setback, organised resistance resumed within a year and has been sustained ever since, holding down around 10,000 Indonesian troops. In March 1983, contradicting its own claims that Fretilin was a spent force, the Indonesian military command in East Timor entered into negotiations with the Fretilin commander, Kay Rala Gusmao Xanana. But military operations were resumed, following a ceasefire lasting five months. Murdani launched a new offensive in August 1983, claiming that he would finish off the resistance 'once and for all'. Three years later, he is no nearer to that objective. In fact, information from both sides of the battle lines, from Fretilin maps as well as from a captured Indonesian intelligence map, reveal that resistance bases exist throughout East Timor.

In both West Papua and East Timor, the Indonesian army has proven incapable of coping with armed resistance and guerrilla tactics. Nor has the doctrine of territorial management been successful among Papuans and Timorese who have not responded to Indonesian 'hearts and minds' campaigns. These two wars sap the energies of the Indonesian Armed Forces. It is estimated that around one-third of its elite troops are tied down at any one time in East Timor, while the same elite forces are frequently called upon to spearhead operations against the OPM. Both wars have proved the inability of Indonesia's army to fight against guerrilla forces even though waging guerrilla war stands at the heart of Indonesian military doctrine. This is a source of considerable dissatisfaction inside the military. Many recognise it as 'Murdani's war'.

He commanded the first operations and, eleven years later, he has still not been able to provide the victory he has so often promised. These criticisms could well be used against him by his many rivals.

Neither the OPM nor Fretilin have the capacity to inflict military defeat on the Indonesian army, but they do represent the most sustainable opposition in Jakarta-based militarism.

Jakarta's regional ambitions

Indonesia's membership of ASEAN has not been at all times harmonious. Unlike other ASEAN allies, particularly Thailand, ABRI has a different perception of superpower politics in Southeast Asia. This is based primarily on ABRI's hostility towards China which it still accuses of collusion with the PKI in the final years of the Sukarno presidency. Twenty years on, Indonesia still resists calls for the re-establishment of diplomatic relations with Beijing which were broken off in the aftermath of events in Jakarta in October 1965. ABRI has, for this and other reasons, sought a closer tie with Vietnam and engages in regular dialogue with the Vietnamese leadership. However, its efforts to act as 'honest broker' to facilitate Vietnam's withdrawal from Cambodia have come to nothing.

Since 1983, Suharto has not concealed his eagerness to be acknowledged as a world leader, and particularly to put Indonesia back on the map as a leading non-aligned power. Several major events were held in Jakarta to promote this objective. In January 1985, Indonesia hosted the meeting of Information Ministers of the Non-Aligned Movement, and three months later, it convened what turns out to have been an uneventful get-together of African and Asian government leaders, to mark the thirtieth anniversary of the 1955 Asian-African Bandung Conference. These events were expected to culminate in a successful move to secure the presidency of the Non-Aligned Movement. The bid failed however, because East Timor was taken up at the August 1985 meeting of non-aligned foreign ministers in Lusaka and is certain to be discussed at the summit meeting in Harare in 1986. It has become an accepted principle that countries whose policies put it into conflict with other members of the Movement cannot assume the presidency.

There have been clear signs for several years that Indonesia now believes it should assume a position as a Pacific power, that it should be looking more towards the states to the south-east as well as to its Asian

neighbours to the north, becoming, as it were, the bridge between the South Pacific and Southeast Asia. This new ambition is spurred on by the awareness that support for West Papua and East Timor is growing among the people and governments of the South Pacific. In fact, these two annexed territories have provided Indonesia with the excuse to become a Pacific power.

The continual OPM challenge to Indonesian positions along its border with Papua New Guinea has also made it imperative for Jakarta to enter into a long-term agreement with Port Moresby, that would deal not only with border patrols as at present, but would press on Port Moresby Jakarta's determination to keep the whole border area free from OPM operations.

But perceptions of Indonesia in Papua New Guinea and in the South Pacific are not favourable to these ambitions. The fear of an Indonesian invasion is never very far from the surface in Papua New Guinea. Moreover, Jakarta forgets that the spirit of independence is strong among the people of the South Pacific. There is no reason to believe at present that Jakarta will be any more successful in its new South Pacific policy than it has been in its bid for the leadership of the Non-Aligned Movement.

Indonesia and the Reagan Administration

While Suharto's fervent anti-communism, his successes in suppressing unrest and in providing foreign capital with the necessary facilities to exploit the country's wealth have always assured him Washington's support, US-Indonesian relations have been dogged by problems. The US continues to be ABRI's primary source of military equipment, though it is symptomatic that Washington held out for several years before eventually agreeing to supply F-16 aircraft to Indonesia. Jakarta is wary of Washington's close relationship with Beijing and tries to distance itself, at least publicly, from Washington's Middle East policy, preferring to project a pro-Arab image, though it is now common knowledge that Indonesia has purchased military aircraft from Israel.

The Indonesian Armed Forces exude an extreme brand of nationalism which does not advance the cause of close US-Indonesian ties. Nor is it a stance that has the support of Indonesia's Foreign Minister, Mochtar Kusumaatmaja, who often finds his international positions, particularly in ASEAN, undermined by Armed Forces initiatives in foreign affairs. The prime exponent of nationalism at present is General Murdani, described privately by some Indonesian

dissidents as a latter-day Sukarnoist. The most vivid example is the débâcle of Reagan's visit to Bali on his way to the Tokyo Summit in May. Murdani successfully used the conflict with Australia, instigated by the *Sydney Morning Herald's* attack on the Suharto billions, as the instrument for causing a major diplomatic row when members of the White House press corps were refused entry into Indonesia because they were Australians, despite vigorous efforts by the US Ambassador, Paul Wolfowitz, to reverse the decision.

Murdani arguably has several reasons for making a public display of his unwillingness to bow to American pressure, some of which have already been mentioned. The growing pressure on Jakarta to make major concessions to foreign investors, and Washington's dissatisfaction that ABRI has still been unable to crush Fretilin in East Timor only add to Murdani's sense of affront. There are even reports circulating that Ambassador Wolfowitz is privately lobbying to find a 'third force' in Indonesia, not least among the dissidents now ranged against the regime.

The recent belligerence of the Armed Forces leadership towards both Washington and Canberra probably reflects a more deep-seated conflict within the regime itself. Murdani, the powerful, has seen the post of Army Chief-of-Staff go to Lieutenant-General Tri Sutrisno, not the man of his choice. He may well be becoming more uncertain of the loyalty of the younger generation of generals now taking over top positions throughout the army. True, these are men whose promotion he himself has supervised, but the Armed Forces reorganisation carried out since he became Commander-in-Chief in March 1983 has caused difficulties in the upper echelons of the military establishment, not least because of the drastic reduction in openings for flag officers, now that the number of divisional commands has been reduced from seventeen to ten.

The economic crisis can only exacerbate the tensions. While the Western powers have demonstrated their continuing faith in the regime by agreeing at the June 1986 meeting of the Inter-Governmental Group on Indonesia to advance Indonesia yet more economic aid to the tune of \$2.5 billion, it is not too far-fetched to postulate that many analysts in the West are secretly worried about political changes that could take place in Jakarta. Suharto is the world's second longest-serving military dictator, after Stroessner of Paraguay. While Indonesia still remains obscure to the general public in the West, many of the ingredients are present for some major upheavals in the not-too-distant future.

Haiti: the rise and fall of Duvalierism

Referring to the period between the death of Pope Leo XIII and the election of his successor, the Irish Jesuit George Tyrrell wrote to a friend, 'The ten days interim, when there was no infallible authority on earth, were the happiest of my life'.¹ Haitians are today enjoying one of these rare springtimes of freedom between the departure of one president and the election of another. After almost thirty years of ruthless repression in this country of roughly six million people, all things are possible. New parties are forming, newspapers of all kinds are appearing and the situation is highly volatile. In this article I wish to consider why the Duvalier dynasty rose and fell, then to look at some of the forces now at work in the republic. I shall suggest that the main reason for the political demise of Jean-Claude ('Baby Doc') Duvalier was a shift in the basis of his support from one class to another. This made him susceptible to pressure from several directions: from the movements of mass protest, from the church, and finally from the US Navy and the army.

The regime of 'Papa Doc' (1957-71)

François Duvalier was elected President in September 1957 after a violent campaign of many months. He proclaimed himself the spokesman of the masses and of the black middle class. His principal opponent was seen as the candidate of the bourgeoisie, generally opposed by the Roman Catholic hierarchy and by the US Embassy. While the army clearly played an important role during the election campaign, and effectively eliminated some of the candidates, it is likely that the victory of Duvalier reflected popular sentiment at the time. In particular he had secured support from key groups of middle-class blacks, in the capital and in the countryside. Duvalier strongly emphasised the colour issue, exploiting the fact that in Haiti as in other parts of the Caribbean there has been, since colonial times, a general

D Petre (ed), *George Tyrrell's Letters*, London: T. Fisher Unwin, 1920, p 160.

coincidence between colour and class, so that most of the rich are mulatto and most of the poor are black. There has hardly been an important issue in Haiti where colour has not played a part; it is never the sole factor, and is not always the dominant factor, but colour is rarely absent.²

Having temporarily reassured the US and the bishops that he was sympathetic to their interests, François Duvalier ruthlessly repressed all attempts by his opponents to challenge his position and skilfully eliminated the most dangerous elements in the army. In the course of the following years he dealt severe blows to all potential centres of political opposition, including the intellectuals (school teachers, students, professors and journalists), the church hierarchy, the US Embassy, critics within his own party and trade union leaders. By 1964 he was able to have himself declared President-for-Life, to write a new autocratic Constitution and to change the Haitian flag to black and red (a symbolic aim he had cherished for many years). This flag—the flag of Dessalines and Christophe—was said to reflect a new ‘equilibrium’ in which the blacks would control power in a country where a light-skinned elite had generally been dominant. This was the so-called ‘Duvalierist revolution’.

From the mid-1960s onwards, however, the dictator reached an accommodation with the business community, with the US (after the death of Kennedy) and with the church hierarchy. Businessmen were assured by the government that they could continue to make money, so long as they refrained from direct political action; US aid was resumed and new—indigenous and docile—bishops were appointed. Papa Doc was nevertheless careful to keep close contact with those middle-class blacks who had originally supported him, many of whom were *houngans* (Voodoo priests) and local leaders of his civilian militia, the *tontons macoutes*. Despite occasional attempts by exiles to invade and sporadic outbursts of popular discontent—particularly among peasants of the Artibonite valley—Duvalier was firmly in control of the country and was able in 1971, just before his death, to hand over power to his teenaged son.

Overseas observers were surprised that a peaceful succession was achieved. There are a number of reasons for this. In the first place they failed to recognise that Papa Doc—by a combination of terror, populist rhetoric and the adroit distribution of the small amounts of patronage

² See David Nicholls, *From Dessalines to Duvalier*, Cambridge: Cambridge University Press 1979, and *Haiti in Caribbean Context*, London: Macmillan 1985, chapters 1, 3 and 12.

at his disposal—had retained widespread support (or at least acquiescence) among the key black middle classes. The business community and US Embassy concluded that a smooth transition was preferable to the likely alternative of disorder or even the possibility of a radical government. Finally, all potential centres of opposition had been disabled with their leaders in exile, in prison or dead.

Jean-Claudisme (1971–85)

With the help of his mother the new President was able to maintain power and to accelerate the policies of accommodation adopted by his father. Some of the more scandalous activities of the *macoutes* were curbed and gestures were made in the direction of a liberalisation. 'Jean-Claudisme' was widely portrayed as aiming to achieve an economic revolution, by a process of modernisation. Washington was generally favourable to the new regime and encouraged private investment in the growing sector of light industry and assembly plants. The early 1970s was a period of relative economic prosperity. Agricultural production grew, tourism revived and investment increased. Real growth in the economy reached 5 per cent per annum and the US Embassy confidently pronounced that the Haitian economy 'is in the process of recovery'.³

Jean-Claude Duvalier had lived most of his life in the presidential palace and lacked his father's intimate knowledge of the country. The regime gradually lost support from many of the black middle classes and came increasingly to depend on the support of the business community. Demands for improvements in the economy and the need for foreign aid meant that new technologically oriented men, who could speak the language of the World Bank, like Henri Bayard and Marc Bazin, were brought into the government. These men were, however, unhappy about working with the old guard Duvalierists and *macoutes*. For years the President attempted to retain support of both groups, but by the early 1980s many of the black middle-class supporters of François Duvalier had come to the conclusion that there was nothing for them in the regime of Jean-Claude.⁴

While it would be wrong to attribute all the problems of Baby Doc to

³ *Economic Trends: Haiti*, US Embassy, Port-au-Prince, 1973.

⁴ William Paley, 'Power shift imperils Haiti's trail stability', *The Guardian* (London) 13 January 1982.

his marriage, and to blame Michele Bennett for his political demise, the president's growing dependence upon a corrupt clique headed by Ernest Bennett, was viewed with alarm by different sectors of the population. Well-established and influential members of the business community disliked the privileges accorded to this *arriviste*—as they saw him. The old guard of black Duvalierists saw the situation in terms of a revival in mulatto influence. Undisguised profiteering by the Duvalier-Bennett entourage, with hundreds of millions of dollars leaving the country into private bank accounts and an extravagant life-style at home, disgusted all sectors of the population. The bourgeoisie, upon whom the regime had come increasingly to depend, began to look around for alternatives.

Some degree of what might be called corruption, sufficient to enable an ex-President to spend his declining years in reasonable comfort abroad, is an accepted part of Haitian public life. Jean-Claude Duvalier and the Bennetts, however, overstepped the limit, and efforts are now being made by the authorities to track down the embezzled money and to reclaim it. Duvalier and his cronies were given temporary asylum in France and initially stayed in a luxury hotel on Lake Annecy, not too far from the prison where Toussaint Louverture, the black leader of slave liberation, died in 1803. The French Government has tried to remove Duvalier, but their own laws are making this difficult. He has since moved to a house in the Riviera.

In the late 1970s, President Carter had put considerable pressure on Haiti to liberalise its political system and opposition groups began to organise, openly voicing cautious criticisms of the administration. Although a number of independent journals appeared, influencing opinion among students and intellectuals in the larger cities, the major role was played by various radio commentators, whose caustic observations on government corruption and inefficiency were listened to by illiterate (though by no means unintelligent) peasants throughout the countryside. With the election of Ronald Reagan, Jean-Claude felt he could safely repress these opposition movements, but the spell had been broken. Opposition continued to be manifested from such men as Sylvio Claude, Gregoire Eugène, Gérard Gourge and Gérard Duclerville. Many of these men were arrested and tortured but bravely refused to leave the country.

Popular protest

One of the significant features of the movement which eventually led to the downfall of Duvalierism was that it had its base not in the capital but in provincial towns like Gonaïves, Petit Goâve and Jérémie. For the first time since the United States occupation of Haiti, which ended in 1934, a major political movement has begun outside Port-au-Prince. Throughout the nineteenth century many governments had been toppled as a result of rural guerrilla activity by the *cacos* or *piquets*, as they were called.⁵ Armed resistance to the US occupation was also based in the countryside.⁶ One of the consequences of the occupation was to disarm the peasants and to centre economic, political and cultural life in the capital. While François Duvalier (as we have seen) and his mentor President Dumarsais Estimé (1946–50) derived much of their support from the provinces and rural areas, life continued to be centred in 'the republic of Port-au-Prince'. Yet in a curious way the organisation of *tontons macoutes*, by recruiting many thousands of rural Haitians, incorporated them—at least symbolically—into the civic life of the nation. The rhetoric of Duvalier continually proclaimed that the peasants were the real and important element in the country. Nothing was further from his intention than to allow them any material influence in national affairs, yet—as I observed in 1979—'If people are told often enough that they are important, they may begin to believe it.'⁷

Popular protests against particularly ruthless and corrupt *macoute* leaders go back to the late 1960s, but became increasingly significant under Jean-Claude Duvalier. Efforts to re-establish the reputation of the government in the rural areas failed. Popular discontent increased in the 1980s because of the decline in agricultural production, food shortages due to drought, and the end of the migration of 'boat people' to the US.

Added to this was the plague of swine fever and the compulsory slaughter of the pig population, supervised by the Organisation of American States, which was believed by many peasants to be part of a conspiracy. The hardy black pigs fed largely on garbage, were a basic

⁵ See Alain Turnier, *Avec Méristier Jeannis: une tranche de vie jacmehenne et nationale*, Port-au-Prince: published by author, 1982; André Georges Adam, *Une Crise haïtienne, 1867–1869*; Sylvain Salnave, Port-au-Prince, Deschamps, 1982, and David Nicholls, 'Rural Protest and Peasant Revolt, 1804–1869', in *Haiti in Caribbean Context*, *op. cit.*, pp. 167ff.

⁶ See Roger Gaillard's seven volumes *Les blancs débarquent*, Port-au-Prince: published by author, 1972 onwards; and Kethly Millet, *Les paysans haïtiens et l'occupation américaine, 1915–1930*, LaSalle, Québec: LaSalle Collectif Paroles, 1978.

⁷ David Nicholls, *From Dessalines to Duvalier*, *op. cit.*, p. 237.

The influence of the Roman Catholic church and of some Protestant churches was significant at another level. For many years local parishes had been sponsoring, often with aid from international agencies, various development projects and cooperative enterprises. Small groups of peasants had been meeting to discuss local problems and to organise social action. The intention of the organisers of these projects was not usually political in the immediate sense and indeed these developments were attacked by radical exiles as conservative in their effects—enabling peasants to put up with a situation which would otherwise be intolerable.¹¹ Yet it was precisely from these groups that leaders emerged who were to challenge the regime in recent months.

It would be unduly cynical to view the role the church in the last few years merely as a revenge for the humiliation suffered under François Duvalier or as part of an attempt to re-establish its former role as a major political force in Haiti by siding with the growing opposition movement. While these considerations may carry some weight, it is undoubtedly the case that many parish priests and some of the bishops have genuinely and sincerely identified themselves with the cause of the poor and oppressed people of the country. The church constitutes one of the few Haitian institutions to have retained sufficient credibility to act effectively in the situation.

The church's role in the revolution is graphically portrayed in huge, generally anonymous murals which have appeared throughout the country, celebrating the *dechoukaj* (uprooting of Duvalierism). Some murals picture Christ, the liberator, breaking the chains of the people. Many of them celebrate Radio Soleil, with huge pictures of the sun, or portray the Pope with the words 'on our side'. Others show the Last Supper, with Judas often named as the local *macoute* leader.

Voodoo, an amalgam of various West African religions, incorporating certain Christian elements, is the religion of the Haitian masses. Although like all religion its social effect is generally conservative, there have been occasions when it has played a more radical role. One of the important contributions of Voodoo has been to perpetuate the consciousness of an African identity on the part of the masses. François Duvalier had been able to exploit this fact and secured

¹¹ See for example J-M Paré, 'Dimension politique de fait religieux en Haïti', *Nouvelle Optique* (6-7) 1972, pp 5f. But, as I remarked in 1979, 'Although the explicit political intention of the sponsoring agency has normally been conservative the unintended effects of these projects may turn out to be more radical than their patrons have calculated'. *From Dessalines to Duvalier*, *op. cit.*, p 246.

support from a number of *houngans*. It should, however, be emphasised that not all Voodooists supported the regime.

Protestantism goes back to the early days of independence and perhaps 15 per cent of the population would claim to be Protestant. Today the Baptist churches are in a majority and most of them would claim to be non-political. Nevertheless, some of the leaders of the opposition in recent years, including Sylvio Claude, have been ministers. Many Protestant churches are run by American missionaries who generally act as unofficial agents for US interests in Haiti. The Episcopal (Anglican) church is financially controlled from New York, though its bishop and parish clergy are all Haitians. The former bishop was a close friend of François Duvalier and a number of erstwhile Duvalierists were Episcopalians, including Jean Magloire, Victor Nevers Constant, the Bennett family and Father Emmanuel Moreau (who later, as a senator, opposed the dictator and was put to death).

The army

In the crisis which culminated in the flight of Baby Doc in February 1986 the army was manifestly the only body which could assume the government of the country, yet the unwillingness of the army to take such action is a notable feature of the situation. Under François Duvalier the military had been brought firmly under civilian control and army officers with political ambition were swiftly removed. In this way he attempted to reverse a tradition which goes back to the foundation of the state in 1804. Independence had been achieved by military struggle and it was the generals who succeeded to political power. For over one hundred years Haiti's head of state was invariably an army officer. Militarism pervaded the whole administrative structure of the country and this ethos was reflected in the Voodoo religion, where many of the *lwa* (spirits) were portrayed in the uniform of French eighteenth-century officers.

Despite attempts by the US occupation to form a professional and depoliticised army, it was not long before threats of a military coup again became real. In 1946, 1950 and 1956-7 the army played a key political role in the termination of one regime and the initiation of another. While both mulattoes and blacks were to be found among the officer corps, the mass of the army was, of course, black. Throughout the nineteenth century the army was one of the few institutions in Haiti which facilitated the rise of poor non-elite blacks to positions of power and ultimately to the presidency. Consequently, militarism was the

object of attack by mulatto politicians, who saw it as opening the way to dictatorship by uneducated blacks.

Although François Duvalier removed any officer—black or mulatto indiscriminately—whom he saw as constituting a potential threat, many of those promoted to fill the place of these men were blacks, who owed him personal allegiance. He also ensured that the military forces formed distinct hierarchies ultimately responsible to the President himself, rather than to some one supreme commander. In this way the presidential guard, the police, the small navy and air force and the regular army could each keep an eye on what the others were doing. In addition there was the considerable force of *tontons macoutes*, most of whom were organised into the *Volontaires de la Sécurité Nationale* (VSN), with branches throughout the country. These men were encouraged, rather as were the SS under Hitler, to watch out for any signs of disloyalty on the part of the armed forces.

As a result of this carefully arranged structure, Jean-Claude was able to forestall any possibility of a military coup. Nevertheless he gradually lost the support of many *macoute* leaders who, by the early 1980s proclaimed that they were unwilling to stick out their necks very far to defend the regime. By November 1985 there was considerable disillusionment and confusion in their ranks. The dismissal of the Minister of the Interior, Roger Lafontant, some weeks earlier was strongly resented by his *macoute* supporters. One of the notable features of the events culminating in the flight of Duvalier was the relatively insignificant role played by the VSN. Only in the final days did some of them rally to the President and make a violent attempt to suppress the movement. What would have occurred if Baby Doc had refused to leave the country is a matter for speculation. More bloodshed would undoubtedly have occurred but the VSN was sufficiently disoriented to prevent it from acting decisively.

Despite the drift towards disorder in January 1986, the army leaders were clearly unwilling to act independently to take over the country. A new generation of officers had grown up during the twenty-nine years of the Duvalier dictatorship for whom the notion of an army coup was practically inconceivable. François Duvalier had been able to claim by 1964—with some justification—that he had removed the army from its role of arbiter of political events. It appears that General Namphy's eventual agreement to head a junta was the result of persuasion by the US Embassy, by some Haitian politicians and by Jean-Claude Duvalier himself.

Foreign relations

The United States played an important part in maintaining Jean-Claude Duvalier in power and it was not until the final days that Washington decided to cut its losses and use its influence to secure the departure of the President. Even then US opinion was divided and it is widely believed that the advice being given by former Ambassador Ernest Preeg was that Washington should persuade Duvalier to remain and help shore up the regime.

Ever since Haiti's independence, foreign powers have taken a close interest in the affairs of the republic. In the early years France hoped to regain its wayward colony and it was only in 1825 that Haitian independence was recognised by the former metropolis. The United States and Britain were keen to trade with Haiti, and during the Napoleonic period the latter encouraged the Haitians to resist French overtures. Throughout the nineteenth century the US was, however, eager to minimise European involvement in Haiti and at times sought to establish a naval base at the Môle St Nicolas. In the years prior to World War I, the US became particularly worried about German activities in Haiti. The overseas commerce of the country was dominated by German firms and shipping lines; the German colony in Haiti was becoming increasingly involved in the internal politics of the country, by backing particular candidates for office in exchange for commercial favours. This, together with a general desire for strategic control of the region and the wish to find a safe field for foreign investment, resulted in the US decision to invade and occupy Haiti in 1915.

The occupation of almost twenty years had a number of important consequences. The mulatto elite was re-established in office, the black urban middle class was strengthened, the peasants were eventually disarmed, communications were improved and power was more and more centred in the capital. The Constitution was changed to allow foreign ownership of land and to facilitate foreign investment. Large numbers of peasants who had been squatting on state land for generations were removed and land concessions were made to US companies. Yet attempts to create a plantation economy on the model of Cuba and Puerto Rico failed, partly owing to resistance from the peasants and to the difficulty of establishing uncontested rights to land ownership. A further consequence of US Caribbean policies at this time was a significant migration of Haitian cane-cutters to Cuba and the Dominican Republic.

Although US marines were withdrawn in 1934, a financial administrator remained until 1946 and a strong US presence has continued since then. The Haitian *gourde* has for many years been tied to the US dollar, although today an informal 'parallel market' exists. The US is Haiti's principal trading partner and the relationship has intensified with the growth in the last twenty years of light industries and assembly plants making goods for export to the US.

In the elections of 1957, Washington clearly preferred a victory for Louis Déjoie, but regarded Duvalier as an acceptable president. On taking office he invited Washington to send a marine mission to help train the Haitian military, thus reassuring the US government of his reliability. Irregularities in the administration of foreign aid, the strong-armed tactics of the *macoutes* and Duvalier's determination to remain in office after his original term, led to tensions with the US and eventually to attempts by President Kennedy to remove Papa Doc. Economic pressure was brought to bear and the US gave support to attempted invasions by Haitian exiles. Duvalier survived and with the advent of Presidents Johnson and Nixon aid was resumed and Haiti was once more regarded as a member of the 'free world'. As I have noted, the US played an important role in the transition to power of Baby Doc and has generally given support to his regime, though at times using its influence to encourage a certain liberalisation in the political system.¹² This is the background against which the much-vaunted US role in the removal of Jean-Claude Duvalier must be seen.

The political crisis and the economy

Haiti remains an essentially agricultural country with a large proportion of the population living in rural areas and small towns. The majority of the people live on tiny plots of land owned by themselves or members of their family and eke out an existence by growing crops for local consumption and small amounts of coffee which they sell for cash. The coffee trade has been controlled by a fairly small number of export houses who buy from *spéculateurs* to whom in turn the peasants sell.¹³ Owing to the system of inheritance, whereby a peasant's land is divided among all his children, plots are getting smaller and serious soil erosion has occurred throughout the country. Small industries, making shoes,

¹² Ernest H Preeg, *Haiti and the CBI: a Time of Change and Opportunity*, Miami: University of Miami, 1985.

¹³ Christian Girault, *Le commerce du café en Haïti*, Paris: Paris CNRS, 1981.

soap, flour, cement, essential oils and other domestic goods have existed for many years and more recently, as we have noted, foreign-owned assembly plants and industries have arrived, mostly in the capital. These produce electronic goods, garments and such things as children's toys, baseballs and brassieres.¹⁴ Until recent months these latter employed roughly 60,000 people, the majority being women. Other exports include sugar, sisal, cocoa and (in 1984-5) mangoes. Local commerce is mostly controlled by businessmen of Levantine origin and by mulatto families.

The disturbances which began in November 1985 have led to something of an economic crisis. About forty US firms have withdrawn from Haiti leading to a loss of 12,000 jobs. This is partly due to political uncertainty, as well as to the possibility of demands for higher wages which might result from the creation of free trade unions; also new US restrictions on the importing of textiles have contributed. Again US health regulations have led to a decline in the importing of Haitian mangoes. Tourism, which might have begun to recover in 1986 from the AIDS scare has declined even further, with many hotels totally desolate.

Since the fall of Duvalier many exiles have returned home to set up political movements, including former Duvalierists Marc Bazin and Leslie Manigat—both favoured by the US—and René Theodore, who leads the Haitian Communist Party and appears to be receiving money from the French Communist Party. Political leaders who remained in the country include Sylvio Claude and Gregoire Eugène, with their rival Christian Democratic parties and Hubert de Ronceray, a former Cabinet minister under Duvalier. Serge Gilles, formerly living in Paris, heads a party with links to the Socialist International. Two trade union groups have been formed, one associated with the International Federation of Free Trade Unions (and thus with the American AFL/CIO), the other is politically more left-wing.

The junta headed by General Henri Namphy has generally restricted itself to maintaining some degree of order rather than embarking on major political changes. Namphy himself is widely believed to be an honest man without political ambitions, who wishes to allow a maximum of freedom for different voices to be heard. Pushed by public opinion, manifested in public demonstrations and strikes, the junta

¹⁴ T K Morrison, 'Case study of a 'least developed country' successfully exporting manufactures: Haiti', *Interamerican Economic Affairs* 29(1) 1975, pp 21f; J Grunwald *et al.*, 'Off-shore assembly in Haiti', in Foster and Valdman (eds) *Haiti, op. cit.*, pp 231f.

have rid themselves of former Duvalierists and have brought to trial a few *macoutes*. In a symbolic renunciation of Duvalierism, they changed the Haitian flag back to the blue and red of pre-1964 days. Yet it is generally believed that the strong man of the junta is Colonel Williams Régala, who heads the Ministry of the Interior. He and the Finance Minister, Lesly Delatour, have been widely denounced as politically conservative and as agents of the US. Their dismissal has been demanded by radical groups. The junta has set out a timetable for the formulation of a new Constitution and for the eventual election of a new President in November 1987. Perhaps one of the most important political requirements is the strengthening of local community action groups and the creation of a strong system of local and regional government.

The churches are divided. The returned exile priests have called for the resignation of Archbishop Ligondé owing to his past associations with Duvalier. Bishop Romulus of Jérémie appears to be the only member of the hierarchy with radical political views. The others, led by Bishop Gayot of Cap Haïtien, think more in terms of the old Christian Democrat theories of post-1945 Europe. Most Protestant groups, particularly those with strong ties to the US, spend much of their time warning their congregation of the dangers of 'atheistic communism'.

At this stage, it is impossible to say which way things will go in Haiti. While the junta has been criticised for not having embarked on ambitious reforms, it is fairly certain that any attempt to do so would be denounced by opponents on the grounds that the group has no 'mandate' for adopting substantive policies. If it manages to maintain a degree of social order within which constitutional and political debates are able to take place, and local institutions are able to develop it will have served a good purpose.

The end of American foreign policy

With its April 1986 bombing of Libya, the Reagan Administration seems determined to multiply its misfortunes. Failing to understand the root causes of terrorism against the US, it desperately seeks solutions through the implements of violence. Animated by the desolate intuitions of an endless Cold War, America now opposes its interests and its ideals at the same time. Unless there is a prompt reversal of current foreign policy in Washington, the United States faces widening circles of terrorism and, ultimately, extinction.

What kind of reversal is needed? To answer this question, consider the errors of recent actions and decisions:

In the Middle East the United States has meddled in the internal affairs of Iran, Lebanon and Libya, a series of ill-considered intrusions that threatens to make America an enemy of all of Islam, and even of millions of irate Europeans.

In Central America and Southern Africa the US has sustained corrupt oligarchies and repressive regimes while fostering lawless interventions (the Reagan Doctrine) against pro-Soviet states.

In Europe, ignoring the opportunities for arms control, the US has proceeded with deployment of 572 Cruise and Pershing II missiles in five NATO countries, a deployment that degrades nuclear deterrence while it generates renewed spasms of anti-Americanism.

Even in Haiti and the Philippines, where President Reagan takes credit for supporting the forces of 'democratic revolution', it is apparent that the eleventh-hour shift in loyalties was mandated by the collapse of long-standing US policies. The true crimes of Duvalier and Marcos, according to Washington, were not ones of despotism, but of *weakness*. Should these dictators have been able to remain in full control, they would still be counted by the Reagan Administration as bastions of the 'Free World'. And efforts to topple them from power would now be characterised in Washington as 'terrorism'.

Where has the US gone wrong? The answer has several components. It has confused violence with power. It has substituted rhetoric for thought. And above all else, it has subordinated every principle and goal to the sterile dualism of US-Soviet rivalry.

America's enemy is the Soviet Union. The Soviet Union is *always* the enemy. This is an Orwellian axiom of US foreign policy behaviour. It remains beyond question. To subject it to scrutiny is inexcusable. It is blasphemy.

America's enemy in world politics must always be concrete. It cannot be vague and shifting, so ephemeral that there is no passionate focal point of hostility. Indeed, this enemy must be opposed passionately, since it is on the plane of passion that anti-Sovietism draws its very meaning.

It is also on the plane of passion that the US may renounce any expectation from the Soviet Union of a course of conduct that is reasonable and self-interested. Everything is made clear and straightforward if one discerns in the Kremlin a metaphysical principle that drives it to do evil under all circumstances. The Soviet Union, we are told, is obliged to do evil, not good; it cannot be reformed. Not surprisingly, therefore, the US placed blame for its recent air raid against Libya on the USSR. If only the Soviet Union had warned American officials about plans for a terrorist attack on the West Berlin discothèque, said President Reagan, there would have been no reason for the US raid.

With this view, American policy reveals its own insubstantiality. Allegedly the only pragmatic approach to world affairs, it is in fact unremittingly utopian. If the Soviet Union is assimilable to the spirit of evil, no reconciliation or compromise is possible. Its will is one which commits itself purely, gratuitously, to do harm. Thus, all global misfortune—crises, wars, famines, revolutions—take place because of Soviet interference.

The American supporter of this view is fearful of discovering that the world is ill-contrived, that there exist many causes of its problems, for then he would be compelled to understand a complicated reality. Rather than be burdened with an agonising responsibility, he localises every hazard in the Soviet Union. Left unimpeded, however, such Manichaeism will have a self-fulfilling effect, creating the conditions under which one or the other superpower (or both) must be annihilated.

At its heart, the problem is one of individuals. US leaders can exploit an anti-Soviet world-view only because it satisfies the particular cravings of people. This world-view brings special pleasures. By treating the Soviet Union as a pernicious society, Americans affirm at the same time that *they* belong to an elite, one that is based on goodness. There

are no special requirements for membership in this elite, no standards of excellence that need to be met, only citizenship in the US.

We begin to understand the human roots of current US policy. The individual American supports a protracted enmity with the Soviet Union largely out of fear of being alone. To this end, he finds the existence of the Soviet adversary absolutely necessary. Small matter that the Soviet Union is essentially a state like his own, comprised of people like himself. Since he has chosen to devalue reason at the outset, he is impervious to logic, responding only to the strong emotional benefits of the herd.

The American who embraces current policy may readily confess that his Soviet counterpart shares a basic humanity. But this concession costs him nothing, for he has put this quality in parentheses. What matters is that a condition of sustained international enmity overcomes solitariness and mediocrity, that it ennobles membership in the crowd.

It follows from all this that before the US can extricate itself from the predatory embrace of *Realpolitik*, individual Americans will need to discover alternative and more authentic sources of reassurance. To a certain extent this process is already under way, animated by the manifestly contrived dualism offered by our leaders. Yet, the benefits of this process will accrue only to those people who display a measure of political awareness; they will be lost upon many millions of others who are unmoved by reason.

What is to be done about *these* people, those from whom the *Angst* of our time is only the newest form of hubris? Although their politics is a lie, confirming a total disjunction between problem and solution, it is a politics that confers far-reaching ego satisfaction and self-esteem. Where are there appropriate substitute forms of such satisfaction?

To answer these questions we must first understand that the journey from the herd to personhood begins by myth and ends in doubt. For this journey to succeed, the individual travelling along the route must learn to substitute a system of uncertainties for what he has always believed; to learn to tolerate and encourage doubt as a replacement for the comforting woes of statism. Induced to live against the grain of our civilisation, he may become not only conscious of his singularity, but satisfied with it. Organically separated from civilisation, he becomes aware of the forces that undermine it, forces that offer him a last remaining chance for both meaning and survival.

We may turn to Kierkegaard for guidance. Recognising the 'crowd' as 'untruth', he warns of the dangers that lurk in submission to multitudes:

A crowd in its very concept is the untruth, by reason of the fact that it renders the individual completely inpenitent and irresponsible, or at least weakens his sense of responsibility by reducing it to a fraction . . . For 'crowd' is an abstraction and has no hands; but each individual has ordinarily two hands . . .

And what is the most degrading crowd of all? The answer is supplied not by Kierkegaard, but by Nietzsche:

State is the name of the coldest of all cold monsters . . . The state tells lies in all the tongues of good and evil; and whatever it says it lies—and whatever it has it has stolen. Everything about it is false . . . All-too-many are born: for the superfluous the state was invented.

The task, then, is for each American to *become* an individual. Rejecting the idolatry of militaristic nationalism, each man and woman must understand the lethal encroachments of the state. Recognising in their current leadership an incapacity to surmount collective misfortune (Nietzsche reminds us that: 'Often mud sits on the throne—and often also the throne on Mud'), each citizen must strive to produce his own private expression of progress. 'From becoming an individual no one', say Kierkegaard, 'is excluded, except he who excludes himself by becoming a crowd.'¹

Worn threadbare, anti-Sovietism must cease to be the principal source of America's national meaning. Its replacement, however, must be authentic. To close what Pierre Teilhard de Chardin calls 'the spherical thinking circuit', the American prisoner of *Realpolitik* must learn to discover personal value in his own accomplishments, in his own private characteristics and contributions. Whatever bestows value and self-esteem, so long as it is not hurtful to others or beholden to nationality, advances the conditions of reason and an improved world order.

But such transformations cannot take place in a vacuum. Rather, they must be shaped by a 'sympathetic' society, a network of values and orientations that would encourage and nurture personal growth. At the moment, such a network does not exist. Imprisoned by a materialism

¹ Kierkegaard's and Nietzsche's views on self-affirmation have points in common with Paul Tillich and the existential psychotherapist Rollo May. Tillich speaks of this quality as the 'courage to be'. Without this courage, a person loses 'being'. Commenting upon the essential characteristics that constitute a person, May refers to the importance of 'preserving one's centredness.' In both sets of views, the emphasis is on creating and preserving identity, but not at the expense of fruitful participation with other beings. The goal is always to actualise human potentialities in harmony with others. See, for example, Paul Tillich, *The Courage to Be*, New Haven: Yale University Press, 1952, and Rollo May, 'Existential bases of psychotherapy', in May (ed), *Existential Psychology*, New York: Random House, 1961.

that overrides all other goals, Americans now stand in the ruins of consciousness. Melding back into the pre-formed mainstream of popular culture, they are wary of stepping out of line, careful to cultivate the trappings (but rarely the substance) of 'success'.

There is nothing new about such an indictment of American life. What is new—and what is deplorable—is that societal indifference to real personal growth has now become celebrated. Content to be casualties of a many-stranded system of manipulation, we Americans have learned to *despise* individualism.

None of this is to suggest that US foreign policy is 'caused' by behavioural and social deficiencies, but only that such deficiencies are exploited for political effect. Were the world organised differently, in a fashion without multiple sovereignties and zero-sum perceptions, individual American needs would seek different sources of satisfaction. But we *do* live in a fragmented world of separate states and in this world anti-Sovietism is made dominant by an ideology that 'feeds' upon the weakness of individual persons. There is nothing about the present structure of international relations that makes obsessive anti-Sovietism inevitable; it comes about only because this structure combines with behavioural conditions in a way that transforms them both.

Those who prescribe business as usual in American foreign policy are contemporary occupants of Plato's cave. Deprived of an illuminating vision of reality, they are destined to live in a world of illusion, animated by distortions that can never impel purposeful behaviour. No matter how vigorously they may cling to their tenets of 'realism', their truth is, as Plato suggests, 'literally nothing but the shadows of images'.

But what, exactly, must be done to change all this? What must be done to bring about the desired changes in US foreign policy? How can the US re-route its narrowly self-interested mode of foreign policy activity to a more promising orientation? How can its leaders build upon the understanding that it is in America's own best interests to develop strategies of international interaction from a systematic vantage point?

Is it already too late? There are, of course, the fatalists. Their answer is simple: '*Après nous, le déluge*'. Let us not think about the President, his Cold Warriors and his strategic mythmakers. It would only disturb our sleep.' Others, however, are not yet prepared to surrender. Refusing to capitulate to unreason, they are prepared to support a new foreign policy. Underlying this policy is the awareness that the US coexists with all other states in a perilously fragile network of relationships.

To begin, a new paradigm of American statecraft is needed. Before US foreign policy behaviour can create a more auspicious domestic and global pattern of interaction, there must take place a revolution of consciousness. This new paradigm that we seek depends largely on a process of non-incremental or revolutionary change in thought. Although it is certainly true that all science progresses on the basis of accretion, specifically by the incremental accumulation of 'failed' hypotheses, it is also true that such a basis has never been sufficient. The major episodes within science wherein an overarching approach to a discipline has been replaced by another—e.g., the advent of Copernicanism and the thought of Einstein—have been *revolutionary* episodes. In a similar fashion, the steps that give rise to a new political dynamic must be founded upon a wholly new understanding of international relations.

Nuclear war

The nuclear arms race cannot last forever. In a world already shaped by some 6,000 years of organised warfare, it is hard to imagine that nuclear weapons will remain dormant. Rather, the apocalyptic possibilities that now lie latent in these weapons are almost certain to be exploited, either by design or by accident, by misinformation or by miscalculation, by lapse from rational decision or by unauthorised decision.

Since the dawn of the Atomic Age, the search for security through destructive weaponry has led only to increased insecurity. Although the world's stockpile of nuclear weapons now represents an explosive force more than 500 times greater than all the munitions used in World War II, the expansion of superpower arsenals continues at a frantic pace. And in the United States this expansion is now undertaken from a policy perspective that ties successful deterrence to a capacity to 'fight' a nuclear war that might be 'protracted'.

The situation is driven by the ever-hardening dualism of US-USSR relations and by the associated American tendency to cast all such relations in zero-sum terms. Although the period from the Cuban missile crisis (1962) to the present was marked by a conscious commitment to avoid direct confrontations with the Soviet Union, there now seems to have developed an increased US willingness to accept such confrontations as an essential requirement of rational competition in a decentralised world system. Moreover, wars have been increasing

n frequency since 1945, a development that contributes to the likelihood of a direct conflict between the superpowers.

Current US nuclear strategy is the antithesis of genuine thought. Assuming that because nuclear deterrence has worked so far it will work or ever, this strategy avoids any productive attempts at long-term security. In this respect it is reminiscent of the position of the chain smoker who contends that he has been smoking cigarettes for twenty-five years without ill effects and that smoking must therefore be safe. The real question, of course, is whether smoking will *ultimately* kill him. If it does, the final assessment of costs and benefits will turn out to be dramatically less optimistic.

Another overwhelming deficiency of current US nuclear strategy lies in its curious commitment to 'balance' in US-USSR nuclear forces. As long as one can convince a rational Soviet adversary of an ability and willingness to destroy the USSR after suffering a first strike, it will—whatever the existing balance of forces—be deterred. It is also true that a vastly larger US nuclear arsenal could *undermine* deterrence. Indeed, this is precisely the problem today, since the newest US missiles are manifestly unsuitable for anything but an initial move of war.

It is wrong to assume that neither side will ever strike first if it believes that by doing so it will bring down overwhelming carnage upon itself. Even perfectly rational states can be expected to pre-empt, whatever the expected consequences, if they believe that the other side is about to strike first. This is the case because in the theatre of the absurd logic of nuclear strategy, the country that strikes first in such a situation may expect to suffer less than if it waits to strike second. Sadly, almost everything now being done by the United States contributes to the Soviet fear of an American first strike.

The government of the United States has yet to admit to its citizens that they are utterly defenceless against the effects of nuclear weapons. Reliable ballistic missile defence has never existed, nor will it ever exist. Ironically, the attempts to institute strategic defence initiatives will be extraordinarily provocative, since they will encourage the Soviet Union to accelerate its own offensive missile capabilities and to pre-empt in the near term. The US, for its part, lulled into complacency by the delusion of defence, might abandon remaining plans for arms control or even fulfil Soviet fears by preparing for an American first strike.

The Reagan Administration has denied us the truth about its plans to enlarge the American inventory of destabilising nuclear weapons. During the next decade, the US will build about 17,000 new nuclear

weapons. Spending on these weapons is going up much faster than overall military spending. Under present plans, the US will spend \$450 billion over the next six years preparing for nuclear war. And these monies will be used to create threatening counterforce systems that will engender a corresponding Soviet buildup and undermine nuclear deterrence.

But the Reagan Administration is not really worried. After all, it regards as *inconceivable* the idea that the United States would ever cease to exist. With this view—a delusion of collective immortality—the administration continues its flirtations with the Apocalypse.

Nuclear strategy is a game that sane leaders may play, but not with frivolity. The fact that it has chosen the theological imagery of good versus evil in describing US-Soviet relations does not free the Reagan Administration from the threat of annihilation. Indeed, such imagery tends to displace the last vestiges of prudence, making it more and more likely that the US, like a face drawn in sand at the edge of the sea, will be erased.

Such imagery also masks an underlying and overwhelming egoism that may make the survival impossible. E M Cioran, whose unique voice speaks in the tradition of Kierkegaard and Nietzsche, has said: 'Nature has been generous to none but those she has dispensed from thinking about death.' In this he is only partly correct. Although it is true, as Freud once noted, that it is impossible to imagine our own death, it is an effort that must be tried. By insulating itself from reasonable fears of an all-destructive nuclear war, the US makes such a war likely.

Supere aude! ('Dare to know!') This motto for the eighteenth-century period of the Enlightenment suggested that the philosopher Kant acquires a special meaning in the late twentieth-century study of nuclear war. Just as repression of the fear of death by individuals can occasion activities that impair the forces of self-preservation, so can the US impair its prospects for survival by denying the possibility of collective disintegration. If it is to serve any useful purpose, the fear generated by our straightforward look at the consequences of nuclear war must lead us away from that bloodless brand of 'realism' that is so characteristic of theological anti-Sovietism. Instead of rarefied 'think-tank analyses that reek of the very unreality they seek to dispel, we must begin to prevent nuclear war by highlighting its concrete human costs. Such euphemistic notions as 'limited nuclear war', 'collateral damage', 'countervalue' and 'counterforce' strategies and 'enhanced radiation warfare' are

dangerous to the cause of peace because they contribute to the myth that nuclear warfighting might be rational.

Perhaps the closest we can come to really understanding what it may be like to endure a nuclear conflict is by studying the anatomy of life in the death camps of Nazi Germany and the aftermath of atomic war in Japan. Although the analogies are certainly imperfect, there are no other darkly visionary sources of human experience to which we can so safely turn. The total immersion in death; the olfactory stimulation provided by tens of thousands of burning bodies; the overwhelming imagery of unending terror and loss that were the central features of these two atrocities, offer us the clearest *human* picture of life in a post-apocalypse world.

At the time of their descent into hell, the survivors of Auschwitz and Hiroshima, of Treblinka and Nagasaki, reacted to the other-worldly grotesqueness of their conditions with what Yale psychiatrist Robert J. Lifton describes as a profound sense of 'death in life'. Witnessing, in the one case, the thrusting of newly delivered babies, *alive*, into ovens, and in the other, the appearance of long lines of severely burned, literally melting, ghosts, the survivors found themselves—in Bruno Bettelheim's words, an 'anonymous mass', or in the Japanese term, *muga-muchu*, 'without self, without a centre'. Such a total disruption of individual and social order, of one's customary personal and community supports, produced consequences that went far beyond immediate physical and emotional suffering. Indeed, this understanding is incorporated in the Japanese term for atomic bomb survivors, *Hibakusha*, which delimits four categories of victims, including those who were *in utero* at the time of the blast.

Of course, in the case of nuclear war, the symbols and images that are needed to interpret the idea of total extinction simply do not exist. The absence of such symbols and images makes it impossible for us, in thinking about such a war, to follow Martin Buber's injunction to 'imagine the real'. Nevertheless, even if a global necropolis is not psychologically absorbable at the moment, imaginings of such a world must be encouraged.

In the unsentimental theatre of modern world politics, the time is at hand for a new kind of dramaturgy, a 'new naturalism' that touches profoundly the deepest rhythms of human imagination. Our playgoing sensibilities must no longer be confined to the implausible pap of 'balance of terror', 'nuclear utilisation theory', and 'peace through strength'. We require honest passages of down-to-earth exposition,

even if the necessary tracts and tirades become endless and unbearable.

A few years after the American Declaration of Independence, the Continental Congress adopted as a motto on the Great Seal of the US the phrase of Virgil's, *Novus ordo Seclorum* ('a new age beginning'). In a world imperilled by nuclear war, it is time for this motto to be applied to American foreign policy. In a world where the convulsive changes in our era signal the possibility of 'gigadeath', or death in the billions, it is time to substitute the dignity of cooperative international interaction for the folly of perpetual anti-Sovietism. By its actions to make such substitution possible, the United States would carry within itself the potential to confront the *ancien regime* of Cold War competition not as a victim, but as a gifted elegist.

Human rights

In making anti-Sovietism the centrepiece of its policy on human rights the United States has accepted an orientation to global affairs that is inherently self-defeating. During the next few years, the victims of US-supported repression throughout the world will begin to overthrow their oppressors, creating successor governments with unquestionably anti-American leanings. In the fashion of Vietnam, Cuba, Nicaragua and Iran, these governments will join the ever-expanding legion of states opposed to the US. Sadly, this development will have been avoidable if only America had remained true to its doctrinal foundations.

Although it is now perfectly clear that the Vietnam War might have been avoided if the US had only understood the forces of revolutionary nationalism in the Third World, there is still no attempt to understand these forces. While it is now quite likely that early support for a still pro-American Ho Chi Minh rather than for his colonial masters might have created an ally instead of an adversary, the US continues to advance its visceral counter-revolutionary ethos. What can America hope to accomplish by standing alongside such pariah states as Chile and South Africa while unleashing forces to 'destabilise' far less repressive regimes?

During his 1986 State of the Union Address, President Reagan confined his humanitarian concerns to Nicaragua, Afghanistan, Angola and Kampuchea. No mention was made of Haiti, which even in the darkest days of the Duvalier regimes was treated in Washington as par

of the 'Free World'. Within the coming year, the interim government in Haiti will have to contend with several competing claimants for power, possibly including forces supported by Cuba, Nicaragua and the Soviet Union. And these forces could become the enduring successor government replacing Duvalier, a government with decidedly anti-American leanings.

Why should this be expected? Once the euphoria has died down in Haiti, many will remember the US role in sustaining the Duvalier dynasty because it was an 'authoritarian' rather than 'totalitarian' regime. The result will be a favourable climate for ascent to power by anti-American elements, an ascent that the extant Marxist regimes in this hemisphere will be only too happy to help along. As time passes, the new government in Haiti will be likely to get involved in the same forms of regional insurgency currently aided by Cuba and Nicaragua. Identified as yet another source of 'terrorism' by the US, this government may then become the object of attack by the next American-supported cadre of 'freedom fighters', a new generation of 'contras' who will further tarnish the image and the security hopes of the US.

In Haiti the mistake was made long ago. By identifying American national interests with the rule of a hated dictator, the US ensured the erosion of its interests and its ideals. Although Reagan provided the transportation that ultimately removed Duvalier, few will forget that America acted only at the last moment, and only when it became apparent that the *tontons macoutes* were no longer effective. Few will fail to understand that the US would have stood firmly behind the crimes of the *Volontaires de la Sécurité Nationale* (VSN) if only they had been able to stay in control.

There has been no learning from the lessons of the past. The US now fully intends to repeat the persistent failures of earlier policies. Describing its programme as 'silent diplomacy', the Reagan Administration undermines any remaining hopes for a safe and decent world order.

Indeed, in one of the dominant ironies of the current situation, the presumed US imperative to ignore human rights in 'authoritarian' states as a requirement of national security enlarges the chances of nuclear war. By its policy to align itself with right-wing juntas and other reactionary regimes, the US heightens the prospects for confrontation with the Soviet Union, either directly or by escalating involvement with surrogate forces. In Central America, for example, US actions portend a transnational civil war, with authoritarian regimes and counter-

revolutionary guerrillas backed by the US fighting against leftist insurgents and revolutionary regimes backed by the Soviet Union.

Human rights, of course, are also important *in themselves*. In this connection, the Reagan Administration has fostered the image of America as a pestilence. Vitalised by a flawed understanding of *Realpolitik*, the president has reduced entire populations of human beings to feeble specks surrounded by unfathomable depths of silence. This is the true meaning of 'silent diplomacy'.

Significantly, the Reagan Administration's position has created a kaleidoscope of shame that mocks America's historic commitment to 'inalienable rights'. Deluded by superficial intuitions of power and influence, the architects of this position have turned aside a nation's high ideals with cynical flourish. As a result, these ideals have assumed the character of vaporous fairy tales, suitable for transmittal to school children but not for the design of foreign policy.

Just as significantly, the current US Administration position on human rights represents a far-reaching rejection of modern international law. Although it is under no binding obligation to display humanitarian sensitivity toward other states, the US is bound by the codified and peremptory norms of the Law of Nations—rules that endow all human beings with a basic measure of dignity and support. By its derogation from these norms, the Reagan Administration transforms America into an habitual 'outlaw'.

In the aftermath of the Holocaust, the philosopher Karl Jaspers addressed himself to the question of German guilt. His response to this question articulates one of the most fertile and important concepts of modern thought, the idea of 'metaphysical guilt'. In this connection, wrote Jaspers: 'There exists a solidarity among men as human beings that makes each co-responsible for every wrong and every injustice in the world, especially for crimes committed in his presence or with his knowledge. If I fail to do whatever I can to prevent them, I too am guilty.' Understood in terms of President Reagan's current unconcern for ongoing crimes against humanity, Jaspers' doctrine suggests an urgent need to confront overriding Nuremberg obligations.

From the point of view of the US, the Nuremberg obligations are, in a sense, doubly binding. This is the case because these obligations represent not only current normative obligations of international law, but also the doctrinal obligations engendered by the American political tradition. By their codification of the principle that fundamental human rights are not an internal question for each state, but an imperious

postulate of the international community, the Nuremberg obligations represent a point of perfect convergence between the Law of Nations and the jurisprudential/ethical foundations of the American Republic.

Nuremberg established, beyond any reasonable doubt, the continuing validity of natural law argumentations. While the indictments of the Nuremberg Tribunal were cast in terms of positive international law, the actual decisions of the Tribunal unambiguously reject the proposition that the validity of law depends upon its 'positiveness'. The words used by the Tribunal ('So far from it being unjust to punish him, it would be unjust if his wrongs were allowed to go unpunished') derive from the principle *nullum crimen sine poena* ('no crime without a punishment'). This principle, of course, is a flat contradiction of the underlying idea of positive jurisprudence, the idea of law as exclusively the command of a sovereign.

As an answer to the question, *quid ius?*—'what is law'—international law now rejects all empirical solutions that substitute force for justice. Rather than accept the neo-Kantian distinction between the 'concept' and the 'ideal' of law, international law now recognises that the concept and the ideal coincide. The Law of Nations, like all law, is therefore a branch of ethics. Taken together with the understanding that the supremacy of natural law has always been part of the American tradition, and that the current position of international law is essentially an 'incorporation' of this tradition, this conclusion suggests an overriding imperative for change in the direction of American foreign policy on human rights.

The birth of an improved American foreign policy on human rights will have to be fashioned incrementally. How can this happen? Clearly, the ethical, traditional, and legal imperatives already discussed are an insufficient basis for transforming American foreign policy. To expect these imperatives to have an independent effect would be to commit the worst fallacies of utopianism.

Before the US can turn from its current direction on human rights, its leaders will have to calculate that such a turn would be in its own political interests. The task, then, is to discover areas of convergence between the aforementioned imperatives and perceived strategies of national self-interest. The US will turn to a lawful policy on human rights only when it understands that by supporting the punishment of crimes against humanity it protects not only the interests of the international community, but its own interests as well.

What can foster such understanding?

To begin, a growing number of people throughout the world are already reeling, beleaguered and distraught by the inhumane values of US foreign policy. Americans in particular are becoming increasingly concerned that they must accept complicity in the retrograde actions of their government, and that they may therefore lose any claims to bear witness as a righteous people.

'A nihilist,' Camus tells us in *The Rebel*, 'is not one who believes in nothing, but one who does not believe in what exists.' Disinterested in nuance, in complexities that sully simple explanations, the Administration in Washington calls us back to an easier epoch when 'we' were good, 'they' were bad, and nothing else mattered. Ignoring the summons of reason, it continues to wallow *outside* the world, dissolving thought in the drive of clarity.

America can do better. By recognising itself as both a moral and a mortal nation, it can oppose the illusion of benefit from a frenzied and perpetual anti-Sovietism with the true and effectual vision of goodness. The result will be worth the effort. Instead of a pretext for convulsions, a reason for hysterical imprecations against an 'Evil Empire', American foreign policy can become the instrument of a peaceful and just world order. And while such policy may fall short of a New Jerusalem, it may still constitute a visible hyphen between heaven and earth.

Terrorism

In the aftermath of repeated attacks on Americans, US officials search anxiously for effective antidotes to terrorism. They will never find such antidotes in tactical or military measures. This is because the origins of most anti-US terrorism lie in specific elements of American foreign policy. And these elements, in turn, are the product of an underlying and all-consuming anti-Sovietism.

To reduce the risk of terrorism against the US, one must first understand the relationship between despotism and insurgency. Regime terror breeds insurgent terror. America cannot consistently support the former for geopolitical advantage without expecting the latter.

This brings us back to human rights. Nurtured by the sterile clairvoyance of the Cold War, the Reagan Administration will tolerate virtually any breach of human rights in anti-Soviet regimes. As a result, certain of the oppressed peoples of Latin America and South Africa are now irrepressibly hostile to the US. Recognising the alliance

between their oppressors and US policy, they will increasingly target Americans as well as local oligarchs.

There has been no learning from lessons of the past. If the US is really interested in protecting itself against terrorism, why does it persist in support of governments that make terrorism inevitable? If it fears that Chile will become 'another Nicaragua', why did it install the Pinochet regime in the first place? If it fears that Nicaragua will become 'another Cuba', why does it cling foolishly to interventionist policies that leave the Sandinistas no other choice? If it fears expanding Cuban involvement in Nicaragua, why does it support a 'contra' insurgency that increases such involvement? And if it fears that Angola will provide a launching-point for Cuban 'subversion' in sub-Saharan Africa, why does it support a South African-directed insurgency that can only expand Cuba's role in the region?

What will happen when the opponents of US-supported repression in Latin America and South Africa mount successful insurgencies, creating successor governments with strongly anti-American leanings? The answer is entirely predictable. The US will begin the next phase of its self-defeating geopolitical competition, mounting its own insurgencies to topple regimes that are now 'left-wing'. Resembling the Reagan Administration's current illegal wars against Nicaragua and Angola, these insurgencies—conducted by 'freedom fighters'—will seek to bring down a black majority government in South Africa that will be denounced as a 'Soviet pawn'. By this reasoning, the present condition of apartheid will be described as the 'lesser evil'.

Before the US can reduce the risk of terrorism its leaders must understand the difference between lawful and unlawful insurgencies. And this understanding must be based upon more than the intuitions of geopolitics. Specifically, it must rest upon well-established jurisprudential standards that reflect not only international law but also the most cherished elements of the American political tradition.

The imperative is clear! To meet the requirements of effective counter-terrorism, the US must oppose repressive regimes and movements whatever their ideological stripe. It must also support those insurgencies that spring from genuinely 'just cause' and that are carried out with due regard for humanitarian rules governing the use of force.

Today, the Reagan Administration embraces only one standard of judgment concerning insurgency: anti-Sovietism. Human rights have nothing to do with this standard. It follows that efforts to overthrow allegedly pro-Soviet regimes are always conducted by 'freedom fighters'

(even where these efforts—as in the case of the ‘contras’—involve rape, pillage, and mass murder) while efforts to oppose anti-Soviet regimes (even where these efforts are undertaken by the most oppressed and downtrodden peoples) are always conducted by ‘terrorists’.

Consider President Reagan’s press conference of 21 March 1985, where he stated that the seventeen blacks recently shot by South African police were not ‘simply killed’, but were the excusable casualties of ‘rioting.’ Moments later, reacting to a question about Nicaragua, the president defended the use of force against a ‘Communist tyranny’. In other words, rebellion against apartheid must always be peaceful, but opposition to Sandinista rule must always be violent.

With this view, black South Africans, although understandably unhappy to be victims of a uniquely repressive regime, are instructed to be ‘patient’ as the US continues with its policy of ‘constructive engagement’. At the same time ‘contra’ rebels—widely and authoritatively associated with the execution of non-combatants in Nicaragua and with death-squad activities in El Salvador and Honduras—are embraced by the president as ‘our brothers’. These ‘freedom fighters,’ said the president on 1 March, ‘are the moral equal of our Founding Fathers.’

By its failure to recognise the connection between regime terror and insurgent terror, the US will render itself increasingly vulnerable to terrorism. This increasing vulnerability is due not only to the Reagan Administration’s tolerance of repression in ‘authoritarian’ regimes. It is also due to its active opposition to certain ‘totalitarian’ governments. In Nicaragua, for example, it is obvious that the ‘contras’—even with significant levels of US aid—will be defeated. An expected consequence of this defeat—in addition to hardened anti-American resolve by the Sandinista regime—may well be terrorism directed against the US and/or its interests and personnel abroad. The origins of this terrorism might lie not only with the Sandinistas, who will have been pushed into the arms of the Soviet Union by self-defeating US policies, but also with the remnants of an embittered ‘contra’ force.

Recently, Secretary of State George Shultz, in an address on ‘Terrorism and the Modern World’, said the following: ‘I can assure you that in this Administration, our actions will be governed by the rule of law; and the rule of law is congenial to action against terrorists . . .’² In

² See George Shultz, ‘Terrorism and the modern world’, US Department of State, Bureau of Public Affairs, 25 October 1984, *Current Policy* No. 629, p 1.

fact, of course, the Reagan Administration has been guided not by law but by the banal syntax of power politics. Although the rule of law is indeed congenial to action against terrorists, it does not permit the subordination of settled jurisprudential standards to the presumed requirements of Cold War competition.

The US cannot change the rules of world politics at will. There is little point to America's condemnations of state-supported terrorism against US interests in the Middle East if it continues its own lawless forms of intervention there and elsewhere in the world. There is also little point in America's bemoaning terrorist indifference to the humanitarian rules of armed conflict when 'contra' and UNITA rebels display total disregard for these rules.

Recent attempts to counter terrorism by the Reagan Administration reveal the importance of consistency in observing international law. Refusing to submit to the compulsory jurisdiction of the World Court (International Court of Justice) in the case brought by Nicaragua, the US Administration can hardly lay claim to lawfulness. In this connection, US credibility as a rule-abiding member of the community of nations is further undermined by President Reagan's direct violation of the World Court's interim judgment of 10 May 1984, a judgment requiring the US to refrain from any continued support of the contras.

By opposing the World Court on Nicaragua, the Reagan Administration does more than violate international law. It violates its own national interests. Recognising that they can do nothing to inhibit American military and paramilitary intervention against their government, the Sandinistas are apt to conclude that they will have to 'fight fire with fire'. And this fight is likely to be waged, in part, along the same lines as the 'contra' war against Nicaragua.

The Declaration of Independence sets limits on the authority of every government. Since justice, according to the American Founding Fathers, must bind all human society, the rights articulated by the Declaration cannot be reserved only to Americans. To deny these rights to others on narrow political grounds is illogical and self-contradictory, since it undermines the permanent and universal law of nature from which the Declaration derives.

The US has not always been opposed to its own best traditions. In its early years, George Washington noted: 'The foundation of our national policy must be laid in the pure and immutable principles of private morality.' Accepting the wisdom of the first President, Mr Reagan must change direction before it is too late. Although it is both correct and

pragmatic to oppose terrorism in every form, he must first acknowledge a lawful definition of terrorism.

When the sculptor Auguste Rodin began the most ambitious project of his career in 1880, a pair of doors deriving its theme from Dante's allegorical journey through hell, he determined to create a personal vision of the underworld far more complex than that of the *Inferno*. With this vision, Hell was to represent a condition rather than a place. Following this conceptual goal, the plaster composition developed to display an agonising humanity writhing against a changing background. The solitary tranquil form in the work is *The Thinker* who, from his high position in the lintel, broods on the swarm below as he reviews and re-imagines the fate of our species.

As suggested by Rodin, the background of the world, always in flux, is now highlighted by an unprecedented vastness of space, by infinite abysses that mock our insignificance. Viewed from the vantage point of the artist's *Thinker*, this condition compels an end to the egotism of *Realpolitik* imaginings and a beginning to less lethal patterns of consciousness. In these beginnings, the US must be shorn of its trappings of sacredness and all international interactions must be understood solely as more or less transient patterns of mundane limits. In abandoning the ruins of *Realpolitik* ideology, the US could begin to confront the ashes of endless ruins-in-the-making as a mentor to all who wish to survive.

With its current theology of anti-Sovietism, the US stands before the world as an impetuous fool, a blundering giant whose plans for success are merely designs for the end of the world. Nothing predestines America for failure; on the contrary, it is a nation with enormous opportunities for success. Yet it tends toward defeat, drawn steadily 'forward' by the seductive virulence of an anti-Soviet crusade. But there is still time for a change in direction. To accomplish this change, Americans must first learn to differentiate between the reasonableness of secular political competition and the hopelessness of theological conflict in world affairs.⁵

⁵ The US fears Islamic militants in the Middle East because they have chosen to fuse politics and theology. Yet, America is also captive of such a fusion. Is there really such a vast difference between Shiite crusaders seeking revenge against the 'Great Satan' and the President of the US preparing for an apocalyptic war with the 'Evil Empire'? Is it entirely extraneous to an all-consuming rivalry with the Soviet Union—a rivalry that creates policies that foster anti-US terrorism—that the adversary is typically lambasted as 'godless'? Spokesmen for Lebanon's *Hizbollah*, or 'Party of God', have said: 'We aren't against the American people. We are against oppression and injustice.' US leaders say they have nothing against the Soviet people. They merely oppose the 'focus of evil' in the modern world.

De-democratising American foreign policy: dismantling the post-Vietnam formula

Lying is not a new phenomenon in American history or politics, but there is, after all, a question of degree and frequency, and surely nothing in our past has matched, in scale and quality, the grand deception of Vietnam.

Government deception, supported by a pervasive system of official secrecy and an enormous public relations machine, has reaped a harvest of massive public distrust. This deep distrust of government, and the word of the government, has altered traditional political relationships in America. It has shattered the bond of confidence between the government and the people. And it has diminished our confidence in ourselves and in our ability as people to overcome the problems that confront us.¹

... there have been so many deceptions and lies about Nicaragua that Congress and the Press are beginning to rebel.²

George Orwell taught us that politicians corrupt words in order to sell corrupt policies. If Orwell were here now, how savagely he would be dissecting the latest example of Newspeak: the Reagan Administration's sales campaign for aid to the Nicaraguan 'contras'.³

The challenge to the post-Vietnam Watergate commitment

The Vietnam War and Watergate warned the American people about the dangers of an increasingly autonomous national security bureaucracy headed by an imperial President: these foreign policy elites circumvented the authority of Congress and the courts, viewed themselves above the law, particularly in foreign policy matters, and used secrecy and distortion to deceive Congress and the public in order to accomplish their policy objectives. The American public was

Research for this paper was made possible by a fellowship from the Institute for the Study of World Politics. Valuable research assistance was provided by Eva Bertram at Swarthmore College.

¹ David Wise, *The Politics of Lying, Government Deception, Secrecy and Power*, New York Vintage, 1973, p. 449.

² James Reston, 'The Lie Detectors', *New York Times*, 5 March 1980.

³ Anthony Lewis, 'Debasement of the Language', *New York Times*, 6 March 1980.

reminded of the importance of holding the President accountable and Congress was spurred to strengthen the system of checks and balances, passing, for example, the War Powers Act of 1973⁴ and creating Congressional Intelligence Oversight committees to monitor the CIA.⁵

A crucial element of the post Vietnam-Watergate formula that emerged was a recognition of the importance of accurate, honest information if citizens and their leaders were to make intelligent judgements and hold the executive accountable. Citizens could not be expected to give their consent to be governed if they were misled or lied to. If policy were made and carried on in secret there was no way that Congressional checks, public opinion, or elections could hold the Executive accountable. Distortion, lying and secrecy prevented the rational debate of a democratic citizenry that expected to participate in decisionmaking,⁶ and that wanted to know what it was for which they

⁴ The War Powers Resolution of 1973 aimed to restore a balance that had shifted from Congress (that was constitutionally given the power to 'declare war') to the President who had expanded his prerogatives as 'Commander-in-Chief'. Congress did recognise that in times of emergency (an attack on the United States, for example) there was little time for shared decisionmaking. But the most common Executive usurpations were not in cases of real emergencies. Congress thus insisted that a President could not continue military action beyond sixty days without Congressional approval. It further insisted on 'collective judgement' regarding the commitment of US forces into hostilities. And it legislated that the President 'shall' consult with Congress 'in every possible instance' and to submit a report to Congress within forty-eight hours after committing troops. There is an extensive literature on the War Powers Resolution. See, for example, Pat M Holt, *The War Powers Resolution: The Role of Congress in US Armed Intervention*, Washington DC: American Enterprise Institute, 1978. For a valuable assessment of this issue, also see Jerel A Rosati, 'Congressional influence in American foreign policy, addressing the controversy', *Journal of Political and Military Sociology*, 12, Fall 1984, especially pp 315-19.

The Hughes-Ryan Amendment in 1974, amended again in 1980, set up permanent intelligence oversight committees in each house (established in 1976 and 1977) and required that each covert operation be reported to the committees 'in a timely fashion' and include a 'description and scope' of the activity. The Case-Zablocki Act of 1972 required that all executive agreements be reported to Congress. In 1974 Congress required that arms sales had to be reported to Congress. But perhaps more important than the specific statutes was the general commitment Congress made to watch Presidential actions more carefully, and to use its existing powers as leverage to demand that foreign policy decisions be shared.

⁶ For a thoughtful assessment of this issue see, Kalman H Silvert, *Man's Power: A Biased Guide to Political Thought and Action*, New York: Viking Press, 1970, especially Chapter IV, 'The Human Purpose of Political Action'. Silvert lays out a cogent argument as to the pernicious effect of lying on a democratic polity.

Lying is the most nefarious political offense . . . Untruths, especially when robed in political . . . authority, destroy the possibility of creating common perceptions of political events . . . Not exempted from this indictment are lies connected with national security and defense . . . The politically despicable nature of public falsity is not saved even by a situation of absolute national emergency—for then, above all times, widespread social cohesion based on demonstrated faith in public institutions and the integrity of leadership [legitimacy] is a necessity.

No argument is intellectually more craven or potentially more damaging to the consensus

were being asked to sacrifice their lives and those of their loved ones and friends.

The disclosures of the Pentagon Papers publicly confirmed what many had been claiming for some time: that secrecy justified in the name of national security was not so much aimed at keeping 'the enemy' in the dark but, rather, at misleading the American public. There was also an increasing public awareness that the information they were receiving was false or distorted. By the late 1960s, the 'credibility gap' had so undermined public trust in government,⁷ that it actually became a political issue in the presidential campaigns. Indeed, when Nixon was elected in 1968 his newly appointed Communications Director proclaimed a commitment to telling the truth, this by an Administration that would bring lying and distortion to its zenith: 'I'm confident we will—truth will become the hallmark of the Nixon Administration . . . We feel that we will be able to eliminate any possibility of a credibility gap in this Administration.'⁸

The public revulsion at lying, distortion and the misuse of secrecy led to a commitment to lessen government control over information, an increase in investigative reporting and scrutiny of government statements by the media, and a widespread recognition of the dangers of such control and misuse of information. Further, the new Congressional commitment to an increased role in foreign policy-making and more presidential accountability led to important efforts to increase access to information about foreign policy for itself and for the public. Congress understood that there could be no accountability without access to information.

The new intelligence oversight committees were one way to get previously unavailable information without sacrificing the need for reasonable secrecy. The Freedom of Information Act was strengthened in 1974 to provide for judicial review of executive agencies' decisions to

system of democracies than that the bureaucrat's decision should be accepted in the absence of corroborative data whose revelation would damage the national security.

. . . A lie inevitably involves inefficiency and incompetence. . . a restriction of choices made possible by the social situations we find ourselves occupying at any given time. Lying is always figuratively suicidal, homicidal, and genocidal, and sometimes it is literally so. (pp 152–4)

⁷ Sissela Bok writes: 'In 1960, many Americans were genuinely astonished to learn that President Eisenhower had lied when asked about the U-2 incident, in which an American spy plane and pilot had been forced down in the Soviet Union. But only fifteen years later, battered by revelations about Vietnam and Watergate, 69 per cent of the respondents to a national poll agreed that "over the last ten years, this country's leaders have consistently lied to the people" . . . *Cambridge Survey Research*, 1975, 1976, cited in Sissela Bok, *Lying, Moral Choice in Public and Private Life*, New York: Pantheon Books, 1978, p xvm

⁸ Wise, *Politics of Lying*, op. cit., p 21

keep all parts of a document classified. The size of legislative staffs was increased to provide more information in all areas, including foreign affairs. The improved foreign policy expertise of staff members was to provide Congressmen with independent sources of information. Even the White House, under the Carter Administration, expressed a commitment to less secrecy when it promulgated a new Executive Order on classification in July 1978: it narrowed the minimal basis for creating official secrets, and insisted that the public's 'need to know' be balanced against the protection of information.⁹

'Politics as usual' was thus seen as increasingly dangerous to democracy during Vietnam and Watergate, and there was a commitment to doing something about it. But what has been the sticking power of this new commitment? Is there now the kind of honesty and access to information that is necessary to hold leaders accountable and prevent the abuse of power? This is one central question of this paper. The particular locus of concern is the first test case since Vietnam of an unpopular foreign policy that risks an unpopular war in which Americans might be involved: foreign policy toward Central America. The evidence suggests that far from openness, there is a suppression of information; instead of candour and open debate, the Reagan Administration has been involved in dishonesty and distortion that is at least as serious as the Johnson and Nixon Administrations. Indeed, the opening quotes from leading columnists are just the tip of a dangerous iceberg, whose hidden contours have already been documented in a number of books and articles.¹⁰

⁹ In the previous Executive Order (E.O. 11652, March 1972), the standard for classifying information was that disclosure 'could reasonably be expected to cause damage to the national security.' Under Carter's order it was that disclosure 'could reasonably be expected to cause *identifiable* damage to the national security.' Further, the Carter order said 'if there is reasonable doubt which designation is appropriate, or whether the information should be classified at all, the less restrictive designation should be classified.' Further, his order introduced an important balancing test: 'In some cases, however, the need to protect such information may be outweighed by the public interest in disclosure of the information, and in these cases the information should be declassified'; Richard C. Ehlike and Harold C. Relyea, 'The Reagan Administration Order on security classification: a critical assessment', *Federal Bar and News Journal* 30(2), February 1983, p. 93.

¹⁰ See, for example, *Ronald Reagan and the Reign of Error*; The Central America Crisis Monitoring Team, *In Contempt of Congress*, Washington DC: Institute for Policy Studies, 1985; Jim Leach, George Miller and Mark O. Hatfield, *US Aid to El Salvador: An Evaluation of the Past, A Proposal for the Future*, Arms Control and Foreign Policy Caucus, February 1985, pp. 1-7; Americas Watch, *Human Rights in Nicaragua, Reagan, Rhetoric and Reality*, New York: Americas Watch, July 1985; Americas Watch, *Guatemala Revised: How the Administration Finds 'Improvements' in Human Rights in Guatemala*, New York: Americas Watch, September 1985; Americas Watch, *The Continuing Terror, Seventh Supplement to the Report on Human Rights in El Salvador*, New York: Americas Watch, September 1985, pp. 129-36; Anthony Marro, 'When the government tells lies', *Columbia Journalism Review*, March-April 1985.

We will explore this return to secrecy, lying and distortion in the context of a second question: why did the changes after Vietnam not hold? There are several plausible explanations.

One is that we are simply seeing 'politics as usual'. Politicians naturally seek power, and power corrupts. To maintain their power they will try to hide unpopular actions, or shape public opinion with lies and distortions if necessary. Politicians are Hobbesian beings, naturally pursuing self-interest with little or no virtue to restrain them, and they will do what is needed to maximise influence and gain votes, just like the rational actor in the market will seek to maximise his or her self-interest, virtue be damned. While this explanation certainly does fit certain politicians (and it was popular in the 1960s and 1970s to look at the personality and psychology of Johnson and, especially, Nixon to explain such actions), the explanation is limited. All politicians do not act this way. Further, what we experienced in the Vietnam–Watergate period was a system of institutionalised lying unparalleled in US history—not politics as usual; not just certain politicians pursuing their self-interest. Finally, there was a pattern in the lying: it served the end of making or distorting a particular kind of policy, not personal enrichment. And such an explanation alone would not explain this patterning.

A second plausible explanation might locate distortion, lying and secrecy as the natural results of bureaucratic struggle in the Executive Branch (or any large bureaucracy for that matter). As participants with different institutional interests put forward their arguments in bureaucratic struggles over policy, it is natural for them selectively to report certain facts and not others or to distort facts or keep damaging information secret.¹¹ While there are important insights in this explanation, it is not sufficient: it simply argues that there will be lying and deception, but it fails to explain the frequency, intensity, scope or systematic pattern it takes.

A third, and related explanation points to the particular character of the bureaucracy involved: it is a *national security* bureaucracy and it is this which leads it to favour secrecy when possible, and deception and lying when necessary. This historical explanation traces the development of a peacetime security apparatus during the Cold War decades that followed World War II. Its centrepiece was the National Security Act of 1947 and the National Security Council (NSC) it created to integrate 'domestic, foreign and military policies relating to the

¹¹ For an excellent discussion of this phenomenon, see Morton H Halpern, *Bureaucratic Politics and Foreign Policy*, Washington DC: The Brookings Institution, 1974, pp 158–95.

national security so as to enable the military services and the other departments and agencies of the Government to cooperate more effectively in matters involving national security.¹² Critical too were the creation of a Defense Department, which integrated all the services under the Secretary of Defense, with a Joint Chiefs of Staff system and the creation of the Central Intelligence Agency (CIA). As the security apparatus grew, and Cold War tensions mounted, the Executive branch became increasingly unaccountable to Congress, the press and the public in the making of foreign policy. Congress generally acquiesced to administration policies, especially when they were presented as *faits accomplis*. The CIA was developed into an apparatus that not only gathered intelligence but secretly carried out foreign policy, often using covert operations to attempt the overthrow of foreign governments and the assassination of foreign leaders. 'Covert operations . . . required official lies to protect them, and the standard in such cases became not truth, but whether the government's actions were 'plausibly deniable'. In other words, whether the government's lies were *convincing*.'¹³

¹² The National Security Act of 1947 1016, 50 USC' cited in Marcus G Raskin, 'Democracy versus the national security state', *Law and Contemporary Problems*, 40(3) Summer 1976, p 193.

¹³ Wise, *The Politics of Lying*, *op cit*, p 500. A number of other authors make similar arguments. Mortin H Halperin and Daniel N Hoffman, for example, write:

The public's 'right to know' has always been a basic tenet of American political theory. A healthy democracy requires public participation in the formulation and administration of government policy. Full information about policy proposals and debate over alternatives ensure popular consent . . . More recently, however, a competing set of values seems to have received higher priority. Executive branch officials—especially in national security agencies—have consistently sought to insulate their activities from public scrutiny. With the growing attention to and presidential conduct of, diplomacy and defense policy, 'national security' has become a broad cloak under which public policy is actually made in private. Full disclosure, it has been suggested, would jeopardize diplomatic, military, and covert intelligence gathering activities. Accordingly, secrecy has been maintained; efforts to illuminate the workings of the executive—whether undertaken by Congress, the press or the public—have been resisted.

'Secrecy and the right to know', *Law and Contemporary Problems* 40(3) Summer 1976, pp 132–65 at p 132.

Another group wrote:

By the mid-sixties, the dangers posed by a permanent secret realm in a constitutional republic became apparent. The executive branch had developed a conception of national security that had little to do with the defense of the country or the security of the people. The debacle in Vietnam ended the consensus that had survived for over a decade . . . President Johnson and President Nixon both accurately viewed the protests as a threat to their ability to act abroad, a challenge to their definition of national security. The secret intelligence agencies were marshaled to spy on and disrupt the anti-war dissenters . . . Under these conditions programs initially protected merely by secrecy had to be covered up by lies . . . Deception was the routine response to public inquiry.

Mortin H Halperin, Jerry J Berman, Robert L Borosage and Christine M Marwick, *The Lawless State, the Crimes of the US Intelligence Agencies*, Harmondsworth: Penguin, 1976, pp 8–9. See also Marcus G Raskin, 'Democracy versus the national security state', *Law and Contemporary Problems*, 40(3) Summer 1976, pp 189–220.

The President, the Pentagon, the CIA, the NSC and even the State Department felt less obliged to give Congress and the public honest and adequate information about foreign policy issues. Increasingly they operated in an atmosphere where information was kept secret or was distorted in order to avoid public and Congressional 'interference' with questions of foreign policy viewed as too sensitive or too hard to understand by the Executive. The growth of official secrecy through the classification system gave the government an enormous capacity to distort information. And the often misperceived 'needs' of national security frequently gave honourable men the motivation and rationale for deception and lying. Leslie Gelb, director of the task force that produced the Pentagon Papers, has argued that 'most of our elected and appointed leaders in the national security establishment felt that they had the right—and beyond that the obligation—to manipulate the American public in the national interest as they defined it.'¹⁴

The links that this explanation makes between the growth of the national security state and the propensity for secrecy, deception and lying are important ones. There is, indeed, a potential conflict between the often slow, open accountability of constitutional and democratic processes and the demands of many national security elites for speed, discretion, efficiency and secrecy. But national security and democracy are not inherently in conflict: if there is a consensus about the nation's interests and what is necessary to secure them, and if such a policy reflects a realistic understanding of the social forces operating in the world and of the limits of national power, the conflict is likely to be minimised.

Thus, an explanation of the resurgence of official secrecy, institutionalised lying, widespread government distortion, and efforts to quell dissent in Central American policy since the early 1980s cannot simply be explained by the continued existence of a national security apparatus; the problem is not simply a general, abstract, ahistorical conflict between 'national security' and 'democracy'. The explanation also lies in the particular definition of national security—the strategic vision that underlies our foreign policy; the particular importance Central America has taken on for the Reagan Administration within this vision; and the problem of legitimation this policy faces given the breakdown of the pre-Vietnam foreign policy consensus and the new post-Vietnam Watergate commitments.

¹⁴ The citation from an article by Gelb in *Life*, 17 September 1971, p. 35, is cited in Wise, *Politics of Lying*, op. cit., pp. 502-3.

The new doctrine: ideological distortion and the problem of legitimization .

The new formula that emerged after Vietnam and Watergate not only represented a commitment to open up the foreign policy-making *process* to allow a greater sharing, and accountability, in decisionmaking, but also some limited commitment—in Congress and later in the Carter Administration—to alter the *content* of foreign policy. Perhaps most fundamentally, there was a widespread reluctance to send US troops to fight in Third World countries where the goals were not clearly defined and the conflict unpopular at home. Among many, there was an awareness that Third World turmoil was often caused by local conditions of poverty and repression, and that more of a 'North-South' perspective was needed as a corrective to the corrosive effect of the uni-dimensional 'East-West' perspective that prevailed at the time. In his Notre Dame speech of 1977, President Carter charged that post-World War II American policy had been hobbled by an 'inordinate fear of communism' that 'led us to embrace any dictator who joined us in our fear'.¹⁵ Indeed Carter initially led those who sought a 'tolerance of ideological pluralism' and who opposed supporting corrupt, repressive regimes and sought instead to condition foreign military and economic aid on a regime's human rights performance. A few even believed that recognising and assisting left-wing regimes—helping with the reconstruction of Vietnam, for example—might allow these countries an independence from the Soviet Union that would serve US interests. Victory by leftist governments, under this view, would not necessarily lead to an automatic 'domino effect'. Economic ties with the United States would both keep these countries open to US investment, trade and financial interests but also dampen Soviet influence.

But despite movement toward a new direction in foreign policy, the most basic underlying assumptions that guided policy did not change and little was done to dismantle the national security apparatus that continued to define and, therefore, approach problems based on those assumptions.

Perhaps the most important continuity in vision was a widespread acceptance of the doctrine of containment—a commitment to prevent

¹⁵ Cited in Jerry W Sanders, *Peddlers of Crisis, The Committee on the Present Danger*, Boston. South End Press, 1983, p 236.

the 'spread' not simply of Soviet power but of 'communism'.¹⁶ Revolutionary regimes of the left were still considered antithetical to US global interests, and the aim of US policy was still to minimise the chances of such outbreaks and 'take-overs'. Many political conservatives were still ready and willing to use military force—domestic opposition and economic costs be damned—to achieve these ends. Moderates and liberals often sought means other than military intervention: active encouragement of human rights, centrist alternatives to repressive rightist dictatorships and the use of diplomacy and economic leverage were the major ways to prevent leftist revolutions. But underneath the often loud debates between moderates and conservatives the doctrine of containment remained largely unchallenged. Few publicly questioned either the power of the United States to influence the character of Third World regimes or the necessity—indeed the global responsibility—to do so.

Although the Carter Administration began by charting a somewhat different direction in foreign policy—one with a more managerial vision of empire in which both of the pillars of the Cold War, containment and militarism, would be replaced by arms control and trade¹⁷—change in this direction was soon checked. International events (the fall of the Shah, the hostage crises, the Soviet intervention in Afghanistan, the Sandinista revolution in Nicaragua) played a key role, but even more important was the meaning given to these events by a powerful coalition of former national security elites (who organised themselves into groups like the Committee on the Present Danger (CPD) and the Committee for a Democratic Majority (CDM)) who joined forces with mass-based groups of the New Right.¹⁸ The Cold War foreign policy doctrine forcefully put forward by this CPD-led coalition, and the failure of the Carter Administration to 'take the initiative and appeal to the public with a counter-ideology of its own',¹⁹ created domestic pressures that led Carter to move back toward the old Cold War doctrine. When Reagan was inaugurated in January 1981, he brought back into central

¹⁶ Gelb and Betts present a powerful argument that the general doctrine of military containment of communism, institutionalised in the US government bureaucracy, led logically and ineluctably to US military intervention in Vietnam; and they argue further that as long as this doctrine remains unchallenged—indeed as long as there is any 'doctrine' that marginalises pragmatism and dissent—Congressional attempts to enhance checks and balances will be insufficient in getting better policy.

¹⁷ Sanders, *Peddlers of Crisis*, *op. cit.*, p 172. See Sanders' detailed analysis of this new position, represented by the Trilateral Commission, pp 172–8.

¹⁸ This analysis is drawn from Sanders, *Peddlers of Crisis*, *op. cit.*, pp 204–28.

¹⁹ Sanders, *Peddlers of Crisis*, *op. cit.*, p 241.

foreign policy positions the key leaders of the CPD²⁰ and his Administration came to embody the Cold War view he shared with them.

The Cold War doctrine that the Reagan foreign policy team brought to office marked a resurgence of a foreign policy vision rooted in the same assumptions of the National Security Memorandum No 68 (NSC-68) of April 1950 (Jerry Sanders aptly labels it 'Containment Militarism' to distinguish it from other doctrines of containment).²¹ The doctrine assumed that the Soviet Union harboured plans for global conquest by military force, and this necessitated a primarily military response by the United States. The era of *détente* was over. The assumption demanded a massive build-up to gain military superiority over the USSR in both nuclear weapons and conventional forces. For many of the policy elites in the Reagan Administration, the distinction between 'containment' and 'rollback' was merely academic: the goal of containment was rollback.²²

According to the doctrine of Containment Militarism, an important element of Soviet strategy was to foster revolutions in the Third World as a means to extend their domination and ultimately overwhelm the United States and the 'free world' by force. All Third World turmoil was thus interpreted in East-West terms and the USSR was considered to be responsible. That this point of view is held by the Reagan

²⁰ The Committee on the Present Danger garnered 'over thirty high-level positions (fifty, if one counts those serving in a part-time capacity)'. In addition to the President (himself a member), these included Richard V Allen, Assistant to the President for National Security Affairs; William J Casey, Director of Central Intelligence; Fred Charles Ikle, Under-Secretary of Defense for Policy; Jeane J Kirkpatrick, US Representative to the United Nations; John F Lehman, Secretary of the Navy; Paul H Nitze, Chief Negotiator for Theater Nuclear Forces; Richard N Perle, Assistant Secretary of Defense for International Security Policy; Richard Pipes, Staff, National Security Council; Eugene V Rostow, Director, Arms Control and Disarmament Agency; and George P Shultz, Chairman, President's Economic Policy Advisory Board and later Secretary of State.

²¹ Sanders, *Peddlers of Crisis*, *op. cit.*, pp 23-50. See also John Lewis Gaddis, *Strategies of Containment*, *op. cit.*

²² This link between containment and rollback was very much a part of NSC 68 too: 'At any rate, it is clear that a substantial and rapid building up of strength in the free world is necessary to support a firm policy intended to check and rollback the Kremlin's drive for world domination.' US National Security Council, 'NSC-68: A Report to the National Security Council, April 14, 1950', *Naval War College Review*, May/June, 1975, p 99. This is also clear earlier in the document with NSC 68's definition of containment:

As for the policy of 'containment', it is one which seeks by all means short of war to 1) block further expansion of Soviet power; 2) expose the falsities of Soviet pretensions, 3) induce a retraction of the Kremlin's control and influence; and 4) in general, so foster the seeds of destruction within the Soviet system that the Kremlin is brought at least to the point of modifying its behavior to conform to generally accepted international standards. (p 68)

Cited in Sanders, *Peddlers of Crisis*, *op. cit.*, pp 24-5.

Administration can be seen in President Reagan's own words: 'Let us not delude ourselves. The Soviet Union underlies all the unrest that is going on. If they weren't engaged in this game of dominoes, there wouldn't be any hot spots in the world.'²³

Secretary of State Haig, in his first news conference, charged that the Soviet Union 'was training, funding, and equipping international terrorism' and went on to allege that the USSR 'today [is] involved in a conscious policy, in programs if you will, which foster support and expand this activity which is hemorrhaging in many respects around the world today.' Haig then went on to explain that 'international terrorism' would take the place of 'human rights' in the Administration's foreign policy.²⁴ The United States would thus have to be prepared to enter into a global struggle with the Soviet Union and Third World countries would be an important terrain of battle. As the *New York Times* explained in November 1980: 'President-elect Ronald Reagan's national security advisers have concluded that "no area of the world is beyond the scope of American interest" and that the United States needs to have "sufficient military standing to cope with any level of violence" around the globe.'²⁵

Underlying this doctrine of Containment Militarism was a messianic vision of the United States fighting for truth, justice and the American way against evil forces controlled by the Soviet Union. President Reagan explained in 1982: 'I have always believed that this anointed land was set apart in an uncommon way, that a divine plan placed this great continent here between the oceans to be found by people from every corner of the earth who had a special love of faith and freedom.'²⁶

The President portrayed the Soviet Union as an 'evil empire', 'the focus of evil in the modern world'. Analysing this messianism in the President's ideology, Arthur Schlesinger wrote: 'Everything follows by deductive logic from this premise. The world struggle is "between right and wrong and good and evil." When there is evil loose in the world, "we are enjoined by scripture and the Lord Jesus to oppose it with all our might."²⁷

²³ Arthur Schlesinger Jr., 'Foreign policy and the American character', *Foreign Affairs*, 62(1), Fall 1983, p. 5.

²⁴ Cited in Sanders, *Peddlers of Crisis*, *op. cit.*, p. 291.

²⁵ *New York Times*, 13 November 1980, cited in Sanders, *Peddlers of Crisis*, *op. cit.*, p. 277.

²⁶ Cited in Schlesinger (1983), *op. cit.*, p. 5.

²⁷ Schlesinger (1983), *op. cit.*, p. 5. This messianic vision was evident in the publications of the Committee on the Present Danger. For example: 'America is more than a superpower. The idea of the United States is a living part of Western Civilization, with a compelling and altogether special history which belongs to all who cherish human liberty.' The Committee on the Present Danger, *The 1980 Crisis (And What We Should Do About It)*, Washington DC, January 1980, p. 9.

Given the reticence of many Americans to support such military expenditures and overseas involvement in the post-Vietnam period, it became important—doubly important given the messianism—morally to ‘rearm’ America and destroy the ‘post-Vietnam syndrome’. During his campaign in 1980, Reagan referred to the Vietnam War as a ‘noble cause’ that could have ended differently ‘if only our government had not been afraid to win’. He promised repeatedly that his mission to ‘rearm America’ included ‘moral rearmament’ as well as ‘military rearmament’.²⁸ In March 1986, during a battle with Congress over military aid for Nicaraguan exiles, he optimistically declared: ‘What we’re seeing is the end of the post-Vietnam syndrome, the return of realism about the Communist danger. And now we’re ready for one of the final acts.’²⁹

Moral rearmament and messianism helped to define the Administration position on negotiation and compromise. Those who took the ideology seriously, understandably, could never support what they saw as a pact with the devil, since the devil could not be trusted. Others were willing to negotiate, but only to calm domestic concerns and remove obstacles for military funding, or to force our enemies into positions that would make their aggressive and evil nature visible to all the world.

Over the course of time, important policymakers within the Reagan Administration—the pragmatists, for want of a better word—did respond to pressures at home, from the European allies of the United States and somewhat to the realities of the situation. Occasionally, they were able to convince the White House to pursue a less dogmatic policy. The Administration finally backed away from its pipeline embargo when that policy enraged the Europeans; it warmed relations with China although ideology called for support of Taiwan; the President had a cordial summit meeting with Mikhail Gorbachev; urged ‘Baby Doc’ to leave Haiti; and at the eleventh hour, the President was ultimately willing to withdraw support from a loyal, anti-communist friend, President Ferdinand Marcos in the Philippines. But in Central America, the ideologies have prevailed almost from the beginning.

Even before Reagan was elected, the Committee on the Present Danger had defined Central America as an area of vital concern:

²⁸ Cited in Sanders, *Peddlers of Crisis*, *op. cit.*, pp 294–5.

²⁹ Gerald M Boyd, ‘Reagan sees a “moral obligation” by US to aid Nicaraguan rebels’, *New York Times*, 11 March 1986.

in the Caribbean . . . the Soviet Union has been steadily improving its position. Soviet planes, submarines, and combat troops are based in Cuba, and military assistance has been given from Cuba to revolutionary movements in Nicaragua, El Salvador, and other countries in the area. A potential is being built up from which the Soviet Union can threaten our Atlantic sea-lanes, our communications with Central and South America, and the territory of the United States itself.³⁰

When a reporter asked one of Reagan's foreign policy advisers during the 1980 Presidential campaign if Reagan really believed his own rhetoric about the communist menace in El Salvador the adviser replied: 'El Salvador itself doesn't really matter . . . we have to establish credibility because we're in very serious trouble.'³¹

When Secretary of State Alexander Haig briefed Congressional leadership on the State Department's White Paper in February 1981 he spoke of the importance of 'drawing the line' against 'communist aggression' in El Salvador.³² The turmoil in Central America was clearly part of a global struggle. Haig explained:

What we are watching is a four-phased operation of which phase one has already been completed—the seizure of Nicaragua. Next is El Salvador, to be followed by Honduras and Guatemala . . .

I wouldn't necessarily call it a domino theory. I would call it a priority target list—a hit list, if you will, for the ultimate take-over of Central America.³³

As such, US security was at stake. Assistant Secretary of State Thomas O Enders explained: 'The dangers are rising fast . . . If, after Nicaragua, El Salvador is captured by a violent minority, who in Central America would not live in fear? How long would it be before major strategic US interests—the Canal, sea-lanes, oil supplies—were at risk?'³⁴

As the Reagan Administration plunged the United States progressively deeper into Central America, it became even more apparent that the vision which guided foreign policy there was highly doctrinaire and dogmatic: it was ahistorical, ungrounded in empirical reality, and likely to exclude important facts that did not fit into its dualistic, Manichean vision. The policymakers of the Reagan

³⁰ *The 1980 Crisis, op. cit.*, pp 7–8.

³¹ Cited in William M LeoGrande, 'A splendid little war', *International Security* 6(1), Summer 1981, p 27.

³² *New York Times*, 18 February 1981.

³³ 'Haig: US To Continue "Carter Doctrine"', *Honolulu Advertiser*, 19 March 1981. Cited in Sanders, *Peddlers of Crisis, op. cit.*, p 303.

³⁴ 'Reagan steps up military aid to El Salvador', *Honolulu Advertiser*, 2 February 1981. Cited in Sanders, *Peddlers of Crisis*, pp 302–3.

Administration were 'crusaders'³⁵ or 'ideologues', in the sense that they could 'be defined as one who knows the answers before he knows the facts'.³⁶

Arthur Schlesinger Jr., referring to this phenomenon in the Reagan Administration, writes

The seizure of foreign policy by a boarding-party of ideologues invites a host of dangers. Most of all you tend to get things wrong. Where the empirical approach sees the present as emerging from the past and preparing for the future, ideology is counter-historical. Its besetting sin is to substitute models for reality. No doubt the construction of models—logically articulated, general principles leading inexorably to particular outcomes—is an exercise that may help in the delineation of problems—but not when artificial constructs are mistaken for descriptions of the real world.³⁷

The characteristic of such crusaders or ideologues is that their vision badly distorts reality. They are likely to distort the world to fit their doctrine rather than make their doctrine conform to the world; and they are tempted to eliminate or play down, or often not even see, facts which challenge their vision. The effect, if not always the intention, is the production of lies and deception. But if the dogmatic character of Containment Militarism puts it out of touch with a changing world and distorts reality, the problem of deception and lying is compounded when the particular content of this doctrine comes up against the problem of legitimation within a constitutional democracy.

The problem of legitimation

Inside a constitutional democracy, a primary aim of the political leadership needs to be the creation of a policy that is considered legitimate, the building of a foreign-policy consensus. As long as a policy is perceived as illegitimate by major sectors of the citizenry or interest groups, there is going to be a collision over foreign policy—as there was over the Vietnam War. This is particularly the case when foreign policy is based on a doctrinaire, moral absolutism.

This belief in a special American mandate and the temptation to believe in American omnipotence collide not only with the stubborn realities of a world in which the United States is powerful but not dominant; they also collide with our democratic process. First, democratic institutions and the inherent American mistrust of strong central institutions make it hard for any President

³⁵ John Stoessinger, *Crusaders and Pragmatists*, New York: W W Norton (2nd edition), 1985.

³⁶ I M Destler, Leslie Gelb and Anthony Lake, *Our Own Worst Enemy, The Unmaking of American Foreign Policy*, New York: Simon and Schuster, 1984, p 22.

³⁷ Arthur Schlesinger (1983), *op. cit.*, p 6.

to carry out the strong foreign policies called for by the American vision of our role in the world. In addition, democratic pluralism tends to produce policies of compromise, of limited means dwarfed by our grand goals. And compromise, in a moral struggle, is easily seen as a sin. Thus, the way in which we make foreign policy is inherently in tension with the absolute morality that we continue to impose on our view of the world.³⁸

This tension makes it tempting for some foreign-policy elites to resolve the dilemmas by 'putting tighter boundaries on democracy itself when national security is at stake'.³⁹ Although Watergate was one dramatic instance of how a President can threaten democracy in order to save it, the pattern of restricting democracy has been prevalent in the post-World War II period.⁴⁰ And there have been numerous instances under President Reagan's Administration where pursuit of his Central America policy had circumvented constitutional checks and balances and broken the law⁴¹ when democratic institutions put obstacles in his path.⁴²

³⁸ I M Destler *et al.*, *op. cit.*, p. 85.

³⁹ I M Destler *et al.*, p. 86.

⁴⁰ Arthur Schlesinger, *The Imperial Presidency*, Boston: Houghton Mifflin, 1973.

⁴¹ For a full discussion of such circumvention see Kenneth E Sharpe, 'US Central America policy abroad at home', Paper prepared for the Conference on the United States and Central America, A Five Year Assessment, 1980-1985, held at the University of Southern California, 20-22 February 1986. For some brief examples, see also Kenneth E Sharpe, 'Congress may get caught in the President's imperial trap', *Miami Herald*, 21 April 1985; Jim Leach *et al.*, *op. cit.*, *US Policy in Central America. Against the Law?* Washington DC: Arms Control and Foreign Policy Caucus, 11 September 1984.

⁴² Neither circumvention nor law-breaking have been limited to policy on Central America. The case of the bombing of Libya also well illustrates many of these same problems. An excellent discussion of the issue and its relation to democracy can be found in the testimony given by J Brian Atwood on the War Powers Act in the wake of the Libyan bombing, before the House Foreign Affairs Committee in April 1986.

In my work in democratic development for the National Democratic Institute, I have been reminded that democracy is always a fragile system. Those of us who are privileged to be citizens in democratic states must pay attention not only to preservation of our individual liberties, but also to the strength of our institutions, to the smooth functioning of the mechanisms of government and, most importantly, to the rule of law. When we do not, when we become arbitrary and capricious, we contribute to the anarchy to which our non-democratic opponents wish us to succumb.

... it is my belief that in this particular area [the War Powers Resolution] the Administration has done serious damage to our own democracy. It has done this by refusing to respect fully the prerogatives of another separate-but-equal governmental institution, by inhibiting the smooth functioning of the mechanisms of government and by weakening the rule of law through a process of obfuscation and rationalization.

The current Administration has gone much further than any of the previous ones in rationalizing away its statutory responsibility to consult with and report to Congress under the War Powers Resolution. In the process, the vitally important concepts of collective decision-making and shared powers have been dealt a grievous blow in our most important area of governance' (pp. 18-19).

J Brian Atwood, Testimony before the House Committee on Foreign Affairs, US House of Representatives, 29 April 1986.

A foreign policy is always going to have to face the problem of legitimation to some extent. But legitimation becomes a serious problem the more the policy violates fundamental American values and the more it is perceived as too costly, dangerous, or antithetical to US interests. In addition to such legitimation at home, there is also the problem of international legitimacy. It is in the interest of a democracy like the United States to appear internationally legitimate because exercising influence on the basis of moral authority is less costly and, in the long term, more reliable than force. But the problem of international legitimacy is particularly important when policies require particular support—or at least lack of opposition—from close allies and friends. The criteria by which legitimacy is to be judged change historically, and one of the central problems for the Reagan Administration is that it has not been able to make its policy appear legitimate to important political forces at home and abroad.

This was not for lack of effort. First the CPD-led coalition and later the Reagan Administration tried to re-create the old 'consensus' that had supported Containment Militarism throughout the 1950s and the 1960s. While they had been successful at home in blocking the creation of a new post-Vietnam consensus based on *détente*, arms control, trade, and tolerance of ideological diversity, they were unable to forge a consensus of their own, one strong enough to eliminate the legacies of *détente* and Vietnam. And abroad, they were often unsuccessful at getting strong backing from US allies.

The major countries of Western Europe were by no means ready to give up *détente*, and looked for improved trade and closer economic ties with the Soviet Union. Further, these governments faced important domestic forces that were deeply concerned about the risk of nuclear war; concerned that the policies of the Reagan Administration could trigger catastrophe. They were unwilling to give support to what they saw as militaristic US policies toward Central America; they refused to go along with economic sanctions against Nicaragua; and several (including France, Spain and the Netherlands) openly urged diplomatic settlements antithetical to the Reagan strategy. They were joined by important regional powers (Mexico, Venezuela, Panama and Colombia—the Contadora countries—and later Peru, Argentina, Brazil, and Uruguay) who also urged an end to US support for the 'contras', and a diplomatic solution to regional tensions which recognised the legitimacy of the Sandinista government and of left-wing insurgents in El Salvador.

Here at home, there still remained a widely-held fear of sending American troops on a Third World venture that would be costly and prolonged.⁴³ There remained a widespread fear of nuclear war. Moderates in Congress, important citizens' groups, and, increasingly, major churches and religious organisations remained deeply committed to a policy that supported human rights; found aid to corrupt dictators and brutal militaries repugnant; and believed that US aid should be restricted to democratic allies, not authoritarian regimes, however 'anti-communist' they might be. Many of the 'managerialists' who had backed the Trilateral approach were concerned with the negative impact of high military spending on deficits, and thus on interest rates, the US balance of payments, and on the trade that the transnational banks and corporations financed or undertook.

As a result of such attitudes, Administration foreign policy often faced serious legitimisation problems. Opposition to its nuclear war-fighting strategy soon spread from Europe to the United States; the very rhetoric of fear used by the Administration to justify the unparalleled arms build-up also helped to generate the freeze movement.⁴⁴ The sabre rattling in Central America, far from rallying public support for aid to the Salvadoran military, generated stiff opposition. Indeed from 1981 until the election of José Napoleon Duarte as President of El Salvador in mid-1984, such resistance—most troubling for the Administration in Congress—stiffened. To many Americans it was morally unacceptable to be aiding the savagery of the Salvadoran military and the death squads; and even more people were concerned that increased military aid and advisers would drag the United States once again into a Vietnam-like quagmire. The Administration faced stiff resistance to its military support for the 'contras'—branded by many in the US as *our* 'proxy army'. Although there was only scattered sympathy for the Sandinista revolutionaries in the United States, the terror tactics of a 'contra' army led by officers of the former Nicaraguan dictator, Anastasio Somoza, caused great consternation; moderates in Congress were further concerned that the alternatives being promoted by the Contadora countries were being undermined or rejected by the Administration, and that our military strategy would trigger a regional war that would draw US troops into a difficult and unpopular conflict.

⁴³ While the Administration's efforts to convince the public of the dangers of communism in 'our backyard' no doubt contributed to majority support for wanting to keep communism out of Central America, many of the same people who oppose such communist regimes also are opposed to intervention by US troops.

⁴⁴ Sanders, *Peddlers of Crisis*, *op. cit.*, pp. 324–38.

The problem of legitimising Central American policy was compounded by the gap between the reality in the region and the distorted picture framed by the lens of Containment Militarism.⁴⁵ The information that came back from press reports and independent observer teams—many already sceptical of government reporting given the Vietnam experience—was often at odds with the Administration's version. The contrary evidence constituted a serious challenge: to the Administration's portrayal of the significance of the Soviet Union and Cuba in causing or sustaining the upheaval in the region; to the Administration's portrayal of El Salvador as a democracy and of Nicaragua as totalitarian; to the Administration's assumption of expansionist designs on the part of Nicaragua and the offensive character attributed to its military build-up; and to the Administration's often optimistic reports of military capability and popular support for both the Salvadoran army and the 'contras', and the weakness and unpopularity of the FMLN and the Sandinistas. It also showed that the Administration was exaggerating human rights violations in Nicaragua and minimising such violations in El Salvador and Guatemala; and it raised doubts about the sincerity of the Administration's proclaimed interest in political solutions to regional conflicts.

Given the generally doctrinaire, dogmatic character of the Reagan foreign policy, and given its particular vision (of good and evil; of global threat; of the need to draw lines, to demonstrate credibility, and stop the spread of cancer-like communism) we could anticipate various ways in which the Administration would respond to the problem of legitimation. Three patterns seem to be especially relevant for this analysis.

First, we would expect them to move to 'privatise' the conduct of foreign policy. This would mean restricting the flow of information by means of security classification, and shifting many activities to covert operations, both of which would have the effect of minimising public scrutiny.

Secondly, we would expect them to seek to legitimate their policy claims. In short, they would turn to deception, misinformation, distortion or flat-out untruths to establish or maintain the fiction that

⁴⁵ For one discussion of changed post-World War II reality in Central America, and how the assumptions of the strategic vision distorted that reality, see Morris Blachman, William LeoGrande and Kenneth Sharpe, *Confronting Revolution: Security Through Diplomacy in Central America*, New York: Pantheon Books, 1986, Chapter 13.

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Both the Interim and the Development Committee endorsed the Baker initiative on international debt, launched at the previous IMF and World Bank meetings in Seoul in October 1985.⁴⁴ They reaffirmed the need for a continued case-by-case approach to debtor countries. In its communiqué,⁴⁵ the Interim Committee urged the industrialised countries to pursue policies with a view to maintaining open markets, liberalising trade, enhancing growth, reducing exchange rate volatility and encouraging lower interest rates. It advocated the continuation of coordinated financial support from both official and private creditors, to debtor countries 'implementing sound economic policies', including those adversely affected by the decline in oil prices. In his speech to the Interim Committee, US Treasury Secretary, James Baker, was more explicit in urging developing countries to assist themselves further by undertaking structural adjustment as a means of promoting economic growth. He advocated reforms including those in pricing policy, public enterprise, divestiture, tax and the labour market, as well as financial sector development and trade liberalisation. His premise appeared to be that recent economic developments in the industrialised countries, such as falling interest rates and higher projected growth, would afford in the next two years the best external environment for developing countries since the early 1970s. Baker also advocated an increased role for the IMF in areas traditionally regarded as the World Bank's domain. G24 ministers, by contrast, pointed to what they saw as the failure of the current approach to debt management to find a definitive solution to the debt crisis, and referred back to their earlier Buenos Aires communiqué (see above).⁴⁶

In line with the conclusions of the Group of Ten industrialised countries at their meeting,⁴⁷ the Interim Committee rejected the idea of replacing the current system of floating exchange rates with 'target zones', though expressing concern for exchange rate volatility and misalignment of currencies. It accordingly instructed the IMF Executive Board to consider further modifications of the exchange rate system which could contribute to exchange rate stability without compromising flexibility. Following a G10 pledge to strengthen international economic coordination, with a correspondingly enhanced role for the IMF in surveillance, the Interim Committee agreed to explore the potential for such coordination between the major industrialised economies. In particular, it asked the Executive Board to consider means of enhancing cooperation on external imbalances, exchange rate developments and policy interaction, including the possible use of 'objective indicators', by which to determine the compatibility of different countries' policies. The G10 had been unable to agree on a firm commitment to such quantitative indicators owing to objections from West Germany and Japan, but had recognised that they 'might be useful' in assessing policy consistency. The Interim Committee communiqué also welcomed the prospect of a reduction in the US budget deficit and, in an obvious reference to Japan and West Germany, suggested that countries with trade surpluses and low inflation, whose economies were operating below capacity, could consider more growth-oriented policies.

The Committee failed to accept G24 suggestions for a representative committee of ministers and a committee of deputies to consider specific proposals for reforming the international monetary system, or for an international monetary conference in 1986. Nor did it agree to the G24 proposal for the creation of a compensatory facility for countries suffering from the fall in oil prices. Once again,

Carter Administration) to impose secrecy and control information. But this trend has been dramatically accelerated during the Reagan Administration.

For example, on 2 April 1982, the President, after failing to get Congress to weaken the Freedom of Information Act, signed an executive order which did so by fiat: he not only reversed Carter's classification reforms but instituted the broadest security classification system in American history.⁴⁸ The Intelligence Identities Protection Act, passed by Congress and signed into law on 23 June 1982, has the effect of prohibiting the press from publishing certain information even when it is already in the public domain, and it arms the executive with an important device for censorship. In March 1983 the White House attempted to impose a secrecy order (Presidential Directive Safeguarding National Security Information) that would have instituted the broadest secrecy system in the history of the United States and provided a powerful tool for quelling public criticism, had it not been blocked by Congress, at least temporarily. And these represent only the tip of a chilling iceberg.⁴⁹

Given this context it is not surprising that the Reagan Administration would seek to pursue certain Central American policies in private. The purpose of such secrecy was not merely 'security', as was so often claimed; it has often been used to mislead the public, not the 'enemy', when foreign policy might be considered illegitimate and risk generating domestic opposition.

⁴⁸ See Ehlke and Relyea (1983), *op. cit.*, pp 94-6. They conclude:

During the past thirty years, succeeding presidential classification directives have narrowed the bases and discretion for assigning official secrecy to Executive Branch documents and materials. E.O. 12356 appears to reverse this trend in three general ways: the protection of information is emphasized disproportionately over the public accessibility of government records; some previous value limitations on classification criteria and discretion are eliminated, and other new broad conditions for classification are established. Indeed there is considerable concern that the policy changes made by the executive order will prompt more frequent resort to classification and, consequently, will increase the quantity of official secrets. (p 94)

⁴⁹ Some of the leading articles which discuss these threats to the free flow of information, civil liberties and constitutional democracy are: John Shattuck, 'Congress and the Legislative Process', in *Our Endangered Rights, The ACLU Report on Civil Liberties Today*, Norman Dorsen (ed), New York: Pantheon, 1984, pp 46-74; Mortin H Halperin, 'National security', in Dorsen, *Our Endangered Rights*, pp 281-95; Floyd Abrams, 'The new effort to control information', *New York Times Magazine*, 25 September 1983, pp 22-8, 72-3; John Shattuck, 'National security a decade after', *Democracy* 3(1), Winter 1983, pp 56-70; and Walter Karp, 'Liberty under siege, the Reagan Administration's taste for autocracy', *Harper's*, 271 (1626) November 1985 pp 53-67; *Less Access to Less Information by and About the US Government: A 1981-4 Chronology*, Washington DC: American Library Association, December 1984.

The Administration, for example, tried to circumvent Congressional debate on building US bases in Honduras and permanently stationing troops there by organising permanent ongoing manoeuvres which were then used as a 'cover' for diverting funds from other sources and for allowing a continuous US military presence in the area.⁵⁰ But perhaps the most important example was the 'covert war' of US-financed and US-trained Nicaraguan exiles, the 'contras', against the Sandinistas and the Nicaraguan people.

On 23 November 1981 President Reagan signed National Security Decision Directive 17 and a secret 'finding' that was submitted to the House and Senate Intelligence Committees informing them that \$19.95 million in CIA funds would be used to support 500 'contras' who would infiltrate Nicaragua to interdict purported arms flows to Salvadoran rebels.⁵¹ By so informing these Congressional committees, the Administration was apparently following the letter of the law.

But while some in the Administration may have initially supported the programme because they believed it was to interdict arms, major actors—the exiles the CIA was funding, CIA operatives in the field, and hard-liners in the Administration—had a very different purpose: the overthrow of the Sandinista regime.⁵² This view became even more prevalent as the operation grew in 1982 and 1983. The so-called soft-liners, mostly in the State Department, did not sign-off on overthrow, but saw building up the 'contras' as creating a credible threat

⁵⁰ During the US manoeuvres in Honduras, for example, the Defense Department used funds out of the budget category called Operations and Maintenance (which is supposed to function as petty cash, not major military financing) to train and equip Honduran forces (such as providing radar and surveillance equipment) and to build permanent basing facilities (nine airstrips were built or improved, only two had been approved by Congress). It was only when Congressional committees grew suspicious and tracked down press reports, that the Administration's actual activities came to light. Furthermore, the manoeuvres, which began in August 1981, turned out to be nearly continuous and thus had the effect of permanently stationing 700 to 1000 US military personnel in Honduras and thousands more on ships off the coast—all without Congressional consultation or authorisation. Because these assignments were temporary duty, *per diem* is paid, thereby also increasing the cost of the whole operation.

⁵¹ Robert C Tooth and Doyle McManus, 'Contras and CIA: a plan gone awry', *Los Angeles Times*, 3 March 1985; and Robert C Tooth and Doyle McManus, 'CIA mining of harbors "a fiasco"', *Los Angeles Times*, 5 March 1985.

⁵² See for example, David Ignatius and David Rogers, 'Aiding the contras', *Wall Street Journal*, 5 March 1985; and Doyle McManus and Robert C Tooth, 'The contras: How US got entangled', *Los Angeles Times*, 4 March 1985. McManus and Tooth report, for example, Edgar Chamorro, then a member of the 'contra's' political directorate, said CIA officials left no doubt about their real goal: 'In private they always told us the objective was to overthrow the government in Managua . . . They always said, "The President of the United States wants you to go to Managua"'. And by 1983, Administration public rhetoric notwithstanding 'Casey made no bones about it', according to one senior State Department official.

with which to pressure the Sandinistas to bargain over security issues, and ultimately over the internal character of their regime.⁵³ But the real purposes (for example, significantly increasing the size, scope and range of 'contra' operations) of this part of Reagan's Nicaraguan policy were not shared with the appropriate Congressional committees for their scrutiny and debate, as is required by law.⁵⁴ It was only in the following years, as Congress took a more active role, that the Administration eventually introduced the pressure logic. The President's public position until the 1985 Congressional debates had been, as Reagan would misleadingly say, 'We are not doing anything to overthrow the government of Nicaragua.'⁵⁵ This verbal fiction had enabled the Administration to avoid complying with the Boland Amendment which had prohibited the US from providing 'military equipment, military training or advice, or other support for military activities, for the purpose of overthrowing the Government of Nicaragua or provoking a military exchange between Nicaragua and Honduras.' Speaker of the House, Thomas P O'Neill had stated in regard to the actual policy of the Administration in continuing to provide support to the 'contras', 'the President of the United States broke the law and then laughed to the American people that he broke the law.'⁵⁶

Thus throughout the operation, an effort to misinform or deceive the Congressional committees regarding overall goals—and, it would turn out, very important details—was a crucial element of the policy. But perhaps even more important was the very decision to take the covert route in the first place. Such secret wars are never secret from the people being warred upon, and they are not long secret from Congress and the American public. As early as 4 December 1981 articles began to appear

⁵³ Tooth and McManus, 'The contras' *op. cit.*

⁵⁴ Atwood's testimony on the air strike in Libya and the non-use of the War Powers Act also illustrates the degree to which the Administration is willing to keep Congress, not to speak of the American public, in the dark and out of the decision-making loop.

A full week before the air strike the Administration was confirming newspaper stories to the effect that US forces were being brought into position for a possible attack. Ambassador Walters made the rounds of NATO allies advising them of our plans and requesting assistance . . .

. . . yet Members of Congress were not called in for consultations until three hours before the strike, after the planes were on their way. This was not compliance with Section 3 [of the Resolution], nor was it consultation in the true sense of the word.

J Brian Atwood, Testimony given to the House Committee on Foreign Affairs, US House of Representatives, 29 April 1986, p 10.

⁵⁵ Tooth and McManus, 'The contras' *op. cit.*

⁵⁶ *New York Times*, 27 May 1983.

in the American press⁵⁷ about the covert US action, and by February and March of 1982 these reports were even more detailed. They were paralleled by reports from Florida about training camps for the 'contras' and then reports from the field about 'contra' activities. The real reason for the secrecy was not to keep information from the Nicaraguan government, which knew full well about the 'contras',⁵⁸ but to keep policymaking private. If the President had come to Congress in 1981, and asked for funds to *create* an exile army, led by officers of deposed dictator Anastasio Somoza's National Guard, to overthrow the Sandinista government, it is clear that such funds would not have been approved. The plan would have been opposed as illegal, impractical, immoral, dangerous to the international prestige of the United States, and as creating a situation which might drag in US troops. The critical element of covert operations, commented Mortin Halperin in May 1982, is that

they remain beyond the reach of the American political process. Congress cannot deal with them because they are supposedly secret and, therefore, there cannot be hearings about them. Administration officials, who would never decline to speak and debate on public aspects of American policy, can refuse . . . because covert operations are secret. Any member of Congress who seeks to get a debate on the Foreign Aid bill about whether we should conduct covert operations against Nicaragua will be accused of undermining the security of the United States, of revealing secrets . . . So, I think we have to recognize the ultimate secret, which is that the purpose of covert operations is to subvert the democratic process within the United States.⁵⁹

Deception and dishonesty: justifying the policy by creating a false social reality

When it has been inadvisable, or impossible for the Reagan

⁵⁷ See, for example, William Beecher in the *Boston Globe*, 4 December 1981, who reported that a decision had been made by the National Security Council to 'press covert action in Nicaragua and El Salvador' and to 'infiltrate hostile elements into these countries'.

⁵⁸ In November 1981, one of the authors met with the then Nicaraguan Ambassador, Arturo Cruz. Ambassador Cruz, who is now one of the political leaders of the 'contra' opposition, spoke of the incursions which had been coming across the border from Honduras into Nicaragua for some time. He said that the Nicaraguan government had already met on this issue and come to a policy decision as to how to handle them. If the incursions did not include US forces, then, even if it involved Honduran troops, the Sandinista government decided it would stand and fight. If, however, the incursion was part of an invasion of US troops, the Sandinistas decided they would not be able to handle a direct confrontation. In that case, they would take to the hills and begin an insurgency campaign. This all took place *prior* to the November 1981 NSC decision to support 'contra' activity.

⁵⁹ Mortin Halperin, 'Statement', *US Covert Operations Against Nicaragua. A Public Forum*, Washington DC: Campaign for Political Rights, 1982, p. 32.

Administration to conduct policy in private, the problem of legitimization could not be avoided. On issues where the Administration's rationale for policy was challenged because it violated American values or was perceived as too costly or dangerous to US interests, a pattern of deception and lying emerged: efforts were made to make the Central American reality fit the vision and justifications of Containment Militarism.

The export of revolution: the Soviet-Cuban-Nicaraguan connection The picture of reality painted by the Administration has been that the political turmoil in Central America is Soviet-dominated and Cuban-orchestrated. This image has been extremely important for justifying policy. To the extent that upheaval has internal roots based in poverty, inequality or the repression of US-backed regimes, the revolutionary struggles would appear legitimate to many Americans, particularly in the post-Vietnam period; to the extent that they were nationalist, not foreign controlled, their threat to us would be minimal. The Administration has constantly struggled to discount or deny facts that challenged its interpretation in an effort to present a distorted image of reality to the American public.⁶⁰

The major Administration argument as to the 'foreign' (i.e., Soviet) character of these 'exported' revolutions has rested on evidence that insurgents in El Salvador were armed, trained, and directed by Nicaragua and Cuba. In putting forward such arguments, the Administration played down the indigenous histories of these revolutions.⁶¹ If the Administration's presentation of history was distorted, the further presumption that any evidence of external arms shipments automatically proved external control was misleading.

In the first place, the Administration failed to distinguish between arms coming in through the black market and those actually provided by the Cubans and Nicaraguans. Second, the conclusion that foreign weapons prove foreign obedience was highly questionable. We should know better, as even the United States has often been able to exert only

⁶⁰ James Reston devoted an entire column to the problem of lying deception by the Administration. Referring to Congress and the press, he laments that 'they have been told so many lies about the Nicaragua problem by the Administration . . .'. He goes on to suggest that 'there have been so many deceptions and lies about Nicaragua that Congress and the Press are beginning to rebel'. 'The lie detectors', *New York Times*, 5 March 1986.

⁶¹ For a good critique of such arguments in their most sophisticated form, see William M LeoGrande, 'Through the looking glass: the report of the National Bipartisan Commission on Central America', *World Policy Journal*, Winter 1984, pp 255-64.

very limited control over regimes to which it supplied arms. To make matters worse, the Administration continually exaggerated and distorted the actual amounts of external arms flows to the insurgents in order to strengthen its *a priori* deduction of Soviet-Cuban-Nicaraguan responsibility for the local turmoil. The most well-criticised instance of such distortion was the Administration's February 1981 White Paper which argued that Cuba and the Soviet Union had orchestrated the shipment of 200 tons of arms from socialist and radical Arab states.⁶² Despite the embarrassing fact that the Administration was unable to provide any significant public evidence of such shipments in later years, it has continued to use these claims to back its 'external aggression' thesis flying in the face of strong evidence to the contrary.⁶³

Nicaragua as a threat to its neighbours Nicaragua's threat to its neighbours is presented as a logical deduction of the Containment Militarist vision of global struggle which, it is argued, is pursued by a Soviet regime that seeks world domination and that has its hand behind every Marxist government, pulling the strings. Each time the Administration goes to battle in Congress for support of its 'contra' policy, it has sought to raise the stakes by puffing up the image of Nicaragua as a serious threat to its neighbours, and of US aid as the defensive measure against such aggression. In early 1985, for example,

⁶² *Communist Interference in El Salvador*, US Department of State, Special Report Number 80, 23 February 1981. Among the critiques of this report, see John Dingex, *Los Angeles Times*, 17 March 1981; Robert Kaiser, 'White Paper in El Salvador is Faulty', *Washington Post*, 9 June 1981; Jonathan Kwitny, *Wall Street Journal*, 8 June 1981; and James Petras, *The Nation*, 28 March 1981.

⁶³ The Administration has given little public evidence as to the significance of source of outside military assistance. Middle-ranking diplomats at US embassies in El Salvador, Nicaragua, and Honduras have expressed doubt that the weapons from Nicaragua represent the majority of arms in rebel hands. See Stephen Kinzer, 'US and Salvadoran officials note steady rebel gains', *New York Times*, 25 April 1983. An experienced intelligence officer in El Salvador reported in March 1983 that military aid from Nicaragua and Cuba is not a key factor in the Salvadoran guerrilla campaign. Many have been captured from the Salvadoran army, the national guard and the police. See Drew Middleton, 'Salvador's army's troubles', *New York Times*, 5 March 1983. In July 1983 officials in El Salvador and Washington said that the flow of military supplies to Salvadoran rebels from outside the country had been only a trickle for many months. One knowledgeable source said that the major army and air force ammunition dump at Ilopango Air Force Base was 'also a guerrilla supply warehouse.' Middlemen for the guerrillas were buying 81-millimetre mortar shells for about \$5 a round. See Charles Mohr, 'Salvador rebels reported to get little arms aid', *New York Times*, 31 July 1983. A former CIA analyst, David MacMichael, who left the agency in July 1983, and who had access to the most sensitive intelligence about arms shipments, concluded: 'The Administration and the CIA have systematically misrepresented Nicaraguan involvement in the supply of arms to Salvadoran guerrillas to justify its efforts to overthrow the Nicaraguan Government', in Philip Taubman, 'In from the cold and hot for truth', *New York Times*, 11 June 1984. See also the detailed report by Julia Preston, 'Proof of arms smuggling into Salvador lacking', *Boston Globe*, 10 June 1984.

as the Congressional battle for aid heated up, the President accused the Nicaraguans of building 'a war machine' that 'dwarfs the forces of all their neighbours combined'. Vice-President Bush belittled 'some who still insist' that 'these Marxists have no extraterritorial ambitions.'⁶⁴ Yet to make Nicaragua's largely defensive build-up (itself a response to the 'contra' policy) appear as evidence of offensive intent, the Administration had to resort to lies and distortions. A brief summary of some of the issues was provided by the *New York Times*:

Senior Administration officials, in speeches and in public reports, have frequently said Nicaragua intends to attack its neighbors. But State and Defense Department officials say unofficially that they do not believe Nicaragua has any such intention.

President Reagan has said that 'the Sandinista military build-up began two and a half years before' the United States-backed Nicaraguan rebels took up arms and was not a result of rebel attacks. But Defense Department records show that the first shipment of heavy Soviet-made arms to Nicaragua came many months after the first reports of rebel attacks.

Nicaraguan officials have said one reason for their build-up is that they fear an American invasion. Administration officials confirmed that since at least 1983, the United States had used a 'perception management' program, as a classified Defense Department document called it, to keep the Nicaraguans concerned that the United States might attack.

White House and State Department officials were unable to verify the accuracy of several quotations that the President and others have attributed to Nicaraguan leaders in support of their assertions about Nicaragua's intentions. In one case, the State Department acknowledged that it knew of no Sandinista official who ever used an often-quoted phrase that Nicaragua seeks a 'revolution without frontiers.'⁶⁵

The Soviet threat to US security In 1981, Jeane Kirkpatrick warned that the United States already faces 'an unprecedented need to defend itself against a ring of Soviet bases on and around our Southern border.'⁶⁶ While there were not then, and are not now, such Soviet bases, such statements are testimony to the current doctrine's contention that Nicaragua is dominated by the Soviet Union (it is already 'behind the iron curtain', Secretary of State Shultz declared in 1985), and that the building of Soviet bases is highly probable, if not

⁶⁴ Joel Brinkley, 'Nicaraguan army: "war machine" or defender of a besieged nation?', *New York Times*, 30 March 1985.

⁶⁵ *Ibid.*

⁶⁶ Cited in William M LeoGrande, 'Reagan's counter-revolution in foreign policy', *New Catholic World* September/October 1981, 224 (1343), p 219.

inevitable. The base argument is one of a number of such rhetorical arrows. Also in the 'security threat' quiver are purported threats to vital sea-lanes and the Panama Canal. Individually, each argument is highly suspect: the Administration starts with a dubious possibility and transforms it into a likely probability.⁶⁷ While such security issues are serious, the Administration's willingness to distort and mislead in order to generate support for its policies has made rational public debate about these issues difficult. Their arguments have also served the purpose of diverting attention from the willingness of Nicaragua, backed by the Contadora countries, to negotiate guarantees that such bases will never be built and that the other potential threats will be minimised.

The involvement of US troops Because one of the most widespread concerns about American policy in Central America was the possible involvement of US troops in another Vietnam, it is not surprising that the Administration has continually assured Congress and the public that military aid and US advisers would not risk such involvement—or, on occasion (such as the battle over 'contra' aid in April–June 1985 and March 1986)—that failure to give aid might create the need for US troops. When faced with potentially damaging counter-evidence, the Administration often distorted information or lied.

The War Powers Act demands that the President report to Congress within forty-eight hours when US troops are introduced 'into hostilities or into a situation where imminent involvement in hostilities is clearly indicated by the circumstances'. Yet the Administration continually maintained, 'We are not putting our people in a situation where there is any imminent danger of hostilities'⁶⁸ despite the fact that US military were stationed in brigade headquarters throughout zones of conflict, travelled to the site of combat, came under fire in at least eight separate incidents (by early 1985), flew reconnaissance missions over Salvadoran battlefields, and participated in naval interdiction activities in the Gulf of Fonseca.⁶⁹

⁶⁷ For a fuller discussion and critique of each of these arguments see Morris Blachman *et al.* *op. cit.*, 1986, Chapter 13.

⁶⁸ Langhorne Motley, before the House Subcommittee on Western Hemisphere Affairs, 2 May 1984 (cited in *In Contempt of Congress*, p. 39).

⁶⁹ Jim Leach *et al.* *US Aid to El Salvador. An Evaluation of the Past, A Proposal for the Future*. Washington DC: Arms Control and Foreign Policy Caucus, February 1985, pp. 6 and 24. This report also documents a number of other instances of insufficient, misleading, or false information by the Executive to Congress regarding El Salvador. See pp. 1–7. Leach *et al.* *US Policy in Central America op. cit.*, discusses how the administration has violated the reporting requirement of the Arms Exports Control Act as well as the War Powers Resolution, pp. 28–9, 33–4.

According to one Congressional study, the Executive Branch has also 'provided false information to Congress concerning the number of US military personnel operating in El Salvador, about the roles they are performing, and about the duration of their presence there'.⁷⁰

In its effort to assure Congress that the military aid was working—and thus that local, not US, troops would contain insurgency—the Administration frequently provided over-optimistic reports of the capability of the Salvadoran military and of the military situation. Each summer from 1981 to 1983, US officials would talk optimistically of having turned the tide against the insurgents; and each Fall, at the end of the rainy season, the insurgents would be back in force. In August 1984 General Paul Gorman testified that up to 90 per cent of the Salvadoran countryside would be under Army control in two years.⁷¹ Other officials claimed the same month that the military stalemate in El Salvador had been broken in favour of the military.⁷² Yet, as a February 1985 Congressional study concluded:

The situation on the ground does not appear to offer as optimistic an assessment: the ratio of active forces has remained roughly four to one (Army over rebel) since 1980; the ability of the rebels to cripple the economy with attacks on power lines, dams, roads and crops has not diminished; and the rebels continue to be able to mass, attack military targets at times and places of their choosing, and disperse safely.⁷³

On the other hand, when it has been convenient for the Administration to portray the military situation as deteriorating in order to get more aid out of Congress, it has also been willing to play with the facts. In 1984, it sought \$93 million in supplemental military aid for El Salvador claiming that a dire 'emergency' existed: 'Without these funds, the El Salvadoran Armed Forces will either go back to the barracks or collapse.' The Salvadorans are 'running out of supplies right now', claimed Secretary of State Shultz; soldiers were going into battle with 'one clip' of ammunition for their rifles, claimed President Reagan.⁷⁴ But in fact there was no emergency. According to data 'supplied by the Defense Security Assistance Agency (DSAA), there was \$32 million of military aid available in the pipeline, much of which could have been

⁷⁰ Jim Leach *et al.* (1985) *op. cit.*, pp 5–6. This report also cites specific examples.

⁷¹ General Paul Gorman, 'The Role of the US Southern Command in Central America', House Foreign Affairs Subcommittee on the Western Hemisphere, 1 August 1984.

⁷² 'US aides say Salvadoran army is now on top', *New York Times*, 7 October 1984.

⁷³ Jim Leach, *et al.*, *op. cit.*, (1985) pp 3, 4.

⁷⁴ *Ibid.*, p 4

diverted to arms and ammunition if necessary.⁷⁵ Further, the majority of the supplemental aid that was approved was used not to resupply existing units but to continue to expand the Army by building new units.⁷⁶

Nicaragua as totalitarian In the vision of Containment Militarism, left was totalitarian, and any evidence to the contrary—and there was considerable such evidence—was dangerous given the Administration effort to rally the American people to support a military struggle. ‘The Nicaraguan people are trapped in a totalitarian dungeon’, said President Reagan in July 1984.⁷⁷ For many in the Administration such ‘totalitarianism’ followed deductively, rather than empirically, from the Marxist ideology of Sandinista leaders and the assumption of Soviet domination. As the President put it in February 1985: ‘Functioning as a satellite of the Soviet Union and Cuba, they [the new Sandinista Government] moved quickly to suppress internal dissent, clamp down on a free press, persecute the church.’⁷⁸

The Administration’s vision distorted the complexity of Nicaraguan reality. Moreover, the political urgency of legitimising a policy of force against Nicaragua led to further lying and deception. There is a core of fact around which the Administration has spun its tapestry. Many independent observers have corroborated the Americas Watch 1985 report which documents

abuses such as restrictions on expression and association; denials of due process of law in many cases in which defendants have been accused of security-related crimes; the government’s failure to acknowledge detentions promptly and the relationship of that failure to other abuses against detainees; the mistreatment of prisoners; the violent abuses against the Miskito Indian minority that took place in late 1981 and 1982; and the abuses that have accompanied forcible relocation of thousands of Nicaraguans from war zones.⁷⁹

But Americas Watch and other observers also point out that ‘US officials have built an edifice of innuendo and exaggeration’ on this core of fact. For example,

In Nicaragua there is no systematic practice of forced disappearances, extrajudicial killings or torture—as has been the case with the ‘friendly’ armed

⁷⁵ *Ibid.*, p 4.

⁷⁶ *Ibid.*

⁷⁷ ‘America and the struggle for freedom’. Address before the Commonwealth Club of California, 22 February 1985, p 9, cited in Americas Watch, *Human Rights in Nicaragua, Reagan, Rhetoric and Reality*, July 1985, p 29.

⁷⁸ ‘The President’s weekly radio speech of 16 February 1985; cited in Lou Cannon, ‘Reagan denounces Sandinistas, urges funds for rebels’, *Washington Post*, 17 February 1985.

⁷⁹ Americas Watch, *Human Rights in Nicaragua, Reagan, Rhetoric and Reality*, July 1985, p. 7

forces of El Salvador. While prior censorship has been imposed by emergency legislation, debate on major social and political questions is robust, outspoken, even often strident. The November 1984 elections, though deficient, were a democratic advance over the past five decades of Nicaraguan history and compared favourably with those of El Salvador, Guatemala and do not suffer significantly by comparison with those of Honduras, Mexico or Panama . . .

The Catholic Church and several Protestant denominations not only operate independently in Nicaragua but they are outspoken in expressing their views on religious matters and also on every conceivable secular issue; similarly, business and professional associations and labor unions are not only independent but are unhesitatingly critical of the Government and its leaders. Political parties representing a wide spectrum of views not only operate, but have elected representatives who debate issues in the Constituent Assembly.⁸⁰

The use of epithets like 'totalitarian', concludes Americas Watch, prejudice public debate through distortion.⁸¹

Human Rights This distortion of the character of the regime in Nicaragua had its mirror image in the playing down of human rights violations by those anti-communists whom the strategic vision defined as friends: the Guatemalan and Salvadoran militaries and the 'contras'.

One dramatic instance came in February 1985 when Assistant Secretary of State Elliot Abrams flatly denied that two well-documented massacres in El Salvador (in Los Llanitos and at the Gualsinga River) had taken place.⁸² Such lying was consistent with an overall pattern of Administration distortion that was particularly noticeable during the certification process in 1982 and 1983. Time and again expert witnesses challenged Administration human rights reporting. In 1985, Americas Watch concluded that 'the methodology employed by the US Embassy in tabulating human rights abuses and reporting to the Department of State provides a false and misleading picture to policymakers in the Reagan Administration about the actual human rights situation.'⁸³ For example: 'According to the Embassy, there were only five victims in the 'Possibly Far Right' category and none in the 'Far Right' category from January 1 to March 15 1985. During the same period, Tutela Legal tabulated some 34 death squad killings, including those reported by the Embassy.'⁸⁴

⁸⁰ *Ibid.*, pp 3, 5-6.

⁸¹ *Ibid.*, pp 4-5.

⁸² 'Nightline', ABC Television, 13 February 1985; cited in Americas Watch, *Draining the Sea . . .* op. cit., March 1985, pp 16-17.

⁸³ Americas Watch, *The Continuing Terror*, September 1985, p 4.

⁸⁴ *Ibid.*, p 132.

The Administration has also denied the existence of an intensified air-war on non-military civilian targets, aimed at driving civilians out of insurgent zones. In August 1984, for example, Assistant Secretary of State Langhorne Motley denied 'indiscriminate' bombing and asserted that Salvadoran pilots have developed 'nearly surgical precision' in their bombing.⁸⁵ Reports from the media and independent monitors support the Americas Watch August 1984 conclusion that '... the evidence is overwhelming that armed forces continue to regularly engage in indiscriminate attacks on civilians ...'.⁸⁶

This same pattern was clear in other cases. In Guatemala, the Administration failed to condemn the gross violations by the three generals that were President—Romeo Lucas Gardia (July 1978 to March 1982), Efraín Ríos Montt (March 1982 to August 1983) and Oscar Humberto Mejía Victores (August 1983 to January 1986)—while each in turn held office. At times it even praised their human rights record. In December 1982, for example, President Reagan praised President Ríos Montt as 'a man of great personal integrity and commitment' who 'wants to improve the quality of life for all Guatemalans and to promote social justice' and is 'totally committed to democracy'. The General, he said, was getting 'a bum rap' by critics.⁸⁷ In July 1982, Amnesty International had reported that within the previous three months, some 20,000 to 30,000 Guatemalans had fled across the border into southern Mexico. Further, more than 2,600 Guatemalan civilians had been killed in over one hundred separate massacres in the last six months of 1982.⁸⁸ After each President was removed, however, the State Department itself 'condemned his human rights record for the purpose of favorably comparing his successor to what went before'—usually in an effort to get Congressional backing for loans or aid.⁸⁹

The same pattern can be found in Nicaragua: at the same time that the Administration exaggerated charges of human rights abuses on the part of the Sandinistas, it has played down or ignored the abuses of the 'contras'. Responding to reports of 'contra' human rights abuses, the President asserted:

The truth is, there are atrocities going on in Nicaragua. But they are largely the work of the institutionalized cruelty of the Sandinista government—cruelty that

⁸⁵ Jim Leach *et al.* *op. cit.*, p. 5.

⁸⁶ Americas Watch, *Free Fire*, August 1984, p. 40.

⁸⁷ *New York Times*, 5 December 1982.

⁸⁸ Cited in Americas Watch, *Guatemala Revised: How the Reagan Administration Finds 'Improvements' in Human Rights in Guatemala*, September 1985, p. 10.

⁸⁹ *Ibid.*, p. 1.

is the natural expression of a Communist government, a cruelty that flows naturally from the heart of totalitarianism.⁹⁰

Americas Watch concludes its 1985 study giving evidence that the *contras* have systematically engaged in the killing of prisoners and the unarmed, including medical and relief personnel; selective attacks on civilians and indiscriminate attacks; torture and other outrages against personal dignity; and the kidnappings and harassment of refugees. We find that the most violent abuses of human rights in Nicaragua today are being committed by the *contras*, and that the Reagan Administration's policy of support for the *contras* is, therefore, a policy clearly inimical to human rights.⁹¹

Electoralism vs democracy One of the Administration's key efforts to legitimise policy here at home was to encourage elections in Central America that could be used as evidence that those we supported were really progressing in the direction demanded by moderates and human rights advocates. But in order to make reality fit the image, that meant that the undemocratic conditions for elections in places like El Salvador had to be minimised, and in places like Nicaragua had to be dramatised. Indeed, a senior US official in Central America explained that 'The United States is not obliged to apply the same standard of judgement to a country whose government is avowedly hostile to the US as for a country, like El Salvador, where it is not. The people [the Sandinistas] could bring about a situation in Central America which could pose a threat to US security. That allows us to change our yardstick.'⁹²

Duplicity on negotiations A strict interpretation of Containment Militarism as applied to Central America would rule out any negotiations with leftist forces (such as the FMLN in El Salvador) or with the Sandinistas in Nicaragua if the aim of such negotiations were to accept the legitimacy of power-sharing or the continued existence of communist regimes in the region. Containment Militarism, particularly as interpreted by those who occupied key policy positions in Central American policy formulation, was committed to rolling back the communists and destroying them militarily. Such communists, by definition, can not be trusted to keep agreements, and to do so would be

⁹⁰ 'Reagan campaigns for Latin package', *New York Times*, 16 April 1985.

⁹¹ *Human Rights in Nicaragua*, *op. cit.*, p. 16; for detailed discussion of evidence see pp 71-88.

⁹² Cited in *The Electoral Process in Nicaragua: Domestic and International Influences*, The Report of the Latin American Studies Association Delegation to Observe the Nicaraguan General Election of 4 November 1984, p. 32.

naive and dangerous. Elliot Abrams, Assistant Secretary of State for Latin America, explained:

It is preposterous to think we could sign a deal with the Sandinistas to meet our foreign policy concerns and expect it to be kept.

If, say, three months after such an agreement, the contras were disbanded, the guerrillas would begin to re-infiltrate into El Salvador within a month. What could we do about it then? Send in the marines? One thing this Administration agrees on is that we are not going to sign a phony agreement.⁹³

Another senior Administration official explained in August 1985: 'I think there is interagency agreement on Nicaragua policy now. The prevailing view in the Administration is that you cannot negotiate a deal with Communists that is based on good will or trust. You could negotiate only on the basis of a correlation of forces.'⁹⁴

Despite this view, however, the pressures from the Contadora countries and from moderates in Congress to find a diplomatic solution to regional tensions convinced the Administration that entering into negotiations was a necessary condition for legitimating its policy and getting continued Congressional support at home. Yet built into the reluctant agreement to negotiate was a certain duplicity and deception: the only thing the Administration was willing to negotiate in El Salvador was the graceful surrender of the insurgents, and its primary demand in Nicaragua was that the Sandinistas negotiate themselves out of power. This meant not only hypocrisy (no power-sharing in El Salvador; only power-sharing in Nicaragua), but a great deal of dishonesty and deception about the negotiating process itself.

Quelling dissent: Red-baiting and intimidation

Given the underlying vision guiding policy, it is not surprising that when dissent and opposition threatened policy goals, the dissenters would be seen as threatening national security. The administration, while anxious not to deny publicly the First Amendment rights to free speech, sought to undermine the legitimacy of the dissenters—and set limits on such free speech—by returning to some of the tactics of the Vietnam–Watergate period.

One troubling pattern was the effort to de-legitimise opposition through 'Red-baiting' and McCarthyism. Such efforts surfaced, as we

⁹³ *New York Times*, 18 August 1985.

⁹⁴ *Ibid.*

might expect, when the Administration faced a serious struggle in Congress.⁹⁵ They reached their height in the struggle over military aid for the 'contras' in early 1986. The messianic character of the struggle was clear. In his weekly radio speech on 8 March President Reagan declared: 'Nicaragua is a country held captive by a cruel clique of deeply committed Communists at war with God and man. How can Congress ignore this storm, gathering so close to our homeland?'⁹⁶

Given the doctrine's definition of the Nicaraguans as dominated by the forces of evil, and posing a vital security threat to the United States, the stiff opposition to the Administration's request for \$100 million in military aid, was seen as anti-American. The White House unleashed a fierce campaign to de-legitimise the opposition.

The Administration claimed it had evidence of a Sandinista 'disinformation campaign' described by Press Secretary Larry Speaks as a 'very sophisticated, very carefully drawn plan that might be titled: "How to influence the United States Congress against providing additional aid for the opposition, in Nicaragua"'.⁹⁷ Because the Sandinistas were anxious to convince Americans not to vote for the aid, the Administration implied that anyone who argued against the aid package was either a dupe of the Sandinistas or treacherously un-American. But the attack was more than implicit. Patrick J Buchanan, the White House communications director, wrote: 'With the vote on contra aid, the Democratic party will reveal whether it stands with Ronald Reagan and the resistance—or Daniel Ortega and the Communists.'⁹⁸ The President declared that a legislative defeat on the issue would prove disastrous:

⁹⁵ Faced with opposition to his Central American policies in March 1981, the President blamed his foreign-policy problems on a worldwide conspiracy.

We have to recognize that the campaign against what we're doing, the helping of El Salvador, is a pretty concerted and well-orchestrated thing . . . [It has] been worldwide. And you find the same slogans being used in demonstrations in European countries about the United States in El Salvador. You find it here.

Cited in Walter LaFeber, *Inevitable Revolutions*, New York: W W Norton, 1984, p 276.

In 1983, when Congress moved to cut Reagan's arms requests, Fred Ikle charged that Congressmen were trying to 'wash their hands of Central America like Pontius Pilate' *Washington Post*, 9 March 1984. The White House propaganda campaign at this time compared Soviet actions in Latin America to Hitler's conquering of Europe. President Reagan reiterated his charge that the Sandinistas 'engaged in anti-Semitic acts' despite the fact that Ambassador Quainton himself had warned months before of the lack of evidence. (Cited in LaFeber, *Inevitable Revolutions*, p 309.)

⁹⁶ Bernard Weinraub, 'Reagan aides open compromise talks on aiding contras', *New York Times*, 9 March 1986.

⁹⁷ Gerald M Boyd, 'Nicaragua lying, Reagan declares', *New York Times*, 20 February 1986.

⁹⁸ The article, appearing on the *Washington Post's* Op Ed page, was cited in Steven V Roberts, '2 House units bar contra aid plan and one backs it', *New York Times*, 7 March 1986.

But if the members of Congress hide their heads in the sand and pretend the strategic threat in Nicaragua will go away, they are courting disaster and history will hold them accountable . . . If we don't want to see the map of Central America covered in a sea of red, eventually lapping at our own borders, we must act now.⁹⁹

Although the rhetoric backfired—the red-baiting drew criticism from members of both parties: ‘the moral equivalent of McCarthyism’, said Representative Michael D Barnes (Democrat–Maryland); ‘simplistic reasoning and highly offensive,’ said Senator Nancy Kassebaum (Republican–Kansas)¹⁰⁰—such tactics were only modified because of political expediency. What is important to see is the way in which the need to legitimate a dogmatic policy, considered dangerous, unrealistic, and immoral by many Americans, led to the use of McCarthyite tactics. On occasion they have been effective in stifling critics. In May 1986, Assistant Secretary of State for Inter-American Affairs, Elliott Abrams, refused to speak at Harvard University's Public Affairs Forum unless the invitation given to the former US Ambassador to El Salvador, Robert White, was retracted and he was removed from the programme. Harvard then withdrew its invitation to Ambassador White and replaced him with another speaker acceptable to Secretary Abrams. Not only did the Secretary exercise pressure in threatening not to speak, but through his press secretary, Greg Lagana, he sought to denigrate Ambassador White's capacity and legitimacy as a critic. The press secretary claimed that they took the action because for Secretary Abrams to have appeared with White ‘would be a waste of time. White's views have become discredited . . . and he's becoming something of a crank.’¹⁰¹ If the environment continues to change in this direction, such tactics might be even more successful and more damaging to democratic processes.

The efforts of the Reagan Administration to quell dissent go beyond ‘Red-baiting’. Perhaps most ominous is the evidence of a return to domestic political surveillance. The danger was already clear in the executive order that President Reagan signed on 4 December 1981, authorising the CIA, for the first time in US history, to conduct general surveillance of anyone inside the US who may be in possession of

⁹⁹ Bernard Weinraub, ‘Reagan steps up his drive to give \$100 million to Nicaraguan rebels’, *New York Times*, 6 March 1986.

¹⁰⁰ Steven V Roberts, ‘2 House units bar contra aid plan and one backs it’, *New York Times*, 7 March 1986.

¹⁰¹ *The Columbia Record*, 13 May 1986.

'significant foreign intelligence' such as academics, journalists or businessmen returning from trips overseas. It also authorised the CIA to conduct undefined covert operations in the United States so long as they are not 'intended' to influence 'the political process, public opinion, policies or the media'. The FBI was given expanded authority to gather 'positive intelligence' (i.e. information about foreign countries) from Americans at the request of the National Security Council and the Director of Central Intelligence.¹⁰²

While the full extent of domestic political surveillance is not known, the FBI has questioned persons travelling to and from Nicaragua or associated with groups opposed to US policy in Central America. FBI agents have seized and copied documents of persons returning from Nicaragua. Although the FBI Director, William Webster, when questioned before a House of Representatives Committee, disavowed any political motive, some observers have argued that the pattern of FBI questioning—talking only to opponents of Administration policy, for example—indicates that 'the real purpose is political harassment' and the stifling of dissent.¹⁰³ One analyst, citing numerous examples, suggested:

it appears that a broad campaign of intimidation and snooping is in full swing, unsupported by any plausible counter-intelligence rationale. Groups as well as individuals have been systematically targeted, not merely by the FBI but by a batch of Federal agencies, including the Customs Service . . . the International Revenue Service, the Postal Service, the Secret Services and the D.I.S. [Defense Investigative Service].¹⁰⁴

There is also evidence of harassment of groups involved in the sanctuary programme to aid Central American refugees. *Time* reported, for example,

By now, the pattern is familiar: desks are rifled, file cabinets searched, records apparently stolen or photocopied. Money and expensive equipment are usually left untouched. In six cities during the past 14 months, groups providing support and sanctuary for Central American refugees have been hit by burglaries, suggesting an organized campaign of harassment.¹⁰⁵

¹⁰² John Shattuck, 'National security a decade after Watergate', *Democracy* (3) Winter 1983, pp 56-71.; Jerry J Berman, 'Political surveillance in the Reagan era', *First Principles*, 10(4) May-June 1985, pp 1-2; and 'Text of the President's Executive Order on intelligence activities', *New York Times*, 5 December 1981.

¹⁰³ Berman, 'Political surveillance', *op. cit.*, p 1.

¹⁰⁴ Frank Donner, 'Travellers' warning for Nicaragua', *The Nation*, 6-13 July 1985, p 13.

¹⁰⁵ 'Sanctuary's unwanted visitors', *Time*, 23 December 1985.

Further, the government has placed investigators with secret recording devices in churches that help refugees, or are thinking about doing it. Theologian Harvey Cox wrote:

We are glad that other churches have brought a suit asking the Government to forbid all this as a violation of the Constitution. One minister says his parishioners now glance around uneasily when they come into his study for pastoral counselling. Another says his people are getting wary and 'do not readily reach out and include strangers' anymore.¹⁰⁶

Conclusion

The lessons of Vietnam are as varied as those who recount them. Regardless of the particular lessons people derive from the Southeast Asian conflict and Watergate, for many they represented a watershed in democratic practice. The fears of an ever-growing imperial Presidency were to be put to rest as Congress reasserted itself and broad segments of the citizenry were empowered by new social mechanisms and a new determination to play a more active role in the formulation of policy, and especially in holding leadership accountable. The hope was that democratic institutions, practices and values were once and for all being set in concrete. The strengthening of democracy was in process and many believed that the twin traumas of Vietnam and Watergate, along with the hard-fought gains of civil rights movements, would guarantee the necessary vigilance to keep the US from slipping back into the old patterns.

Yet, in little more than a decade another divisive foreign policy issue arose to test the tenacity of the reforms and the renewed commitment to democratic practice. As we have shown in this article, these high hopes have begun to evaporate in the torrid heat of revolution, insurgency and generalised conflict in Central America.

We have chosen to examine only a small area of democratic practice as it relates to foreign policy. We have looked in some detail at issues regarding the accountability of the system: the availability of accurate and timely information; and the encouragement of evaluation, debate and collective policy determination within the context of an informed citizenry and an active, effective Congress. The evidence is compelling. Regarding the formulation and conduct of foreign policy toward Central America, we have found unwarranted secrecy; circumvention

¹⁰⁶ Harvey Cox, 'The spy in the pew', *New York Times*, 3 March 1986

and violation of the law; serious distortions and dishonesty; and the active discouragement of criticism and dissent. The latter efforts displayed through attempts to muzzle and discredit critics by casting aspersions on their motives and their patriotism; by seeking to belittle, denigrate or ignore their evidence and abilities; and through intimidation.

The crucial question this all poses for us is why do we find this pattern of a strengthening imperial Presidency in the face of what appeared to be a major societal effort to reduce its effects. To assume that this pattern is either an aberration or an artifact of the Reagan Administration may lead some to a sense of comfort, for it suggests that reversal could be just around the corner in the next Administration. But the evidence suggests otherwise. What distinguishes the Reagan Administration from earlier post-World War II Administrations is more a matter of degree than one of kind. This Administration has moved the country on a fast track, but the line has been heading in the same direction for some time. The combination of the structural organisation of the foreign policy process, especially in regard to issues of national security—which seem to be subsuming more and more of all the others—and the vision which guides US policy have made it understandable, if not desirable, that Administrations would seek to increase their control over the system, even though that means doing so at the cost of diminishing democratic practices, institutions and values.

Oil markets and the developing countries

The rise, rise and then fall of oil prices during the last fifteen years has been a major influence upon developing countries. Oil-producing countries have received a windfall in income, offering them new development opportunities, while non-oil developing countries have endured a major rise in import costs. Now with oil prices plunging it is the oil producers who face financial stringency and the consumers who enjoy a windfall saving. Countries' whole energy programmes have to be reassessed in terms of both reducing energy consumption and increasing (and now cancelling) oil exploration. Oil producers must come to terms with lower income per head for their population and the political and economic consequences of lower income expectations for the future.

This article addresses the subject in three ways. First, an analysis of OPEC and Saudi Arabian strategy seeks to explain why the price has now plunged after OPEC apparently had the world in its control for fifteen years. Secondly, the impact of lower oil prices on both consuming and producing countries is assessed, against the scenarios of both \$10 per barrel and \$15 per barrel. And thirdly, the outlook for oil prices and thus for LDC finances is addressed.

Why the oil price fell

The real oil price

The history of the past thirty years shows a sharp division of oil price trends into two very distinct periods. First, in the years up until the first oil price increase of 1973 the price was declining steadily in real terms (see Figure 1). In 1986 prices the oil price reached a low of \$3.4 per barrel by the end of the 1960s, more than half the level of the late 1950s.

1972-3 saw the end of the era of cheap oil. In a dramatic fashion the real price of oil jumped, in today's prices, up to \$20 per barrel. At its peak during the subsequent thirteen years the oil price reached \$40 per barrel after the second oil price rise of 1979, with many forecasters expecting it to continue higher, even to \$100 per barrel. By 1984

Real Oil Prices



Figure 1

Source: AMEX Bank Review, March 1986.

however the writing was on the wall and the price has subsequently crashed, having traded in single figures in 1986.

During the last thirty years oil prices have averaged just below \$15 per barrel in today's dollars: while this is a fairly meaningless statistic in itself it reflects that the price now (mid-1986) is poised delicately between these two periods of cheap oil and expensive oil. At \$15 it is also worth noting that in terms of the long-term trend, oil prices are relatively higher than most other commodities, which themselves are now often 40 per cent below their thirty-year long-run average prices. However oil prices at \$10 or below begin to look as depressed as non-oil commodity prices.

OPEC's lost sales

Why did OPEC power fall so dramatically in terms of being able to control the price? Essentially, OPEC lost market share and demand for oil itself slowed in the face of high prices. OPEC priced itself out of its market, and its product out of the energy market. Figure 2 on OPEC's 'lost sales' demonstrates vividly what has happened to OPEC since 1973. In 1973 demand for oil in the OECD countries was rising faster than their GNP, as oil increasingly captured a higher share of the energy market and as energy conservation was low. Demand for energy in general was increasing approximately at a one-to-one ratio with GNP growth.

If this era of cheap oil had persisted we might postulate that demand for oil could have continued at least in line with the growth of the world economy. On that basis if OPEC had increased its sales in line with this demand its total output could have risen from just over 30 million barrels per day in 1973 to over 40 million barrels per day today. Whether or not it could have met this demand fully is difficult to answer given the events of the last dozen years but it is highly likely that OPEC countries could have increased their output substantially.

In the event the first rise in the price of oil tended to slow oil demand somewhat and also encouraged exploration and development by consuming countries of alternative oil and alternative energy sources. Though OPEC was able to maintain output at just over 30 million barrels per day right through to 1979, OPEC began to lose some market share. If the group had maintained its market share up until 1979, its output would have been around 35 million barrels per day, only slightly below the potential demand indicated by world GNP increases. After

the first oil price increase, therefore, OPEC's main problem was loss of market share rather than a major fall in total world demand for oil.

In the six years after the second oil price rise the market picture changed dramatically for OPEC. The new rise in oil prices encouraged consumers to redouble their efforts at conservation and further stimulated new exploration and development of high-cost energy sources. Simultaneously, the fruits of investment since 1973 began to come on stream, in particular North Sea oil production and that of Mexico. The desire by many consuming countries to ensure they would never be subject to an oil embargo by OPEC in future years was, throughout this period, a major stimulus to develop alternative and indigenous energy sources. At the same time, countries such as Brazil pursued their own energy programme, even at high cost, in order to satisfy the strategic objective of producing energy domestically, as well as saving foreign exchange.

Thus, the second oil price increase began seriously to depress total world demand for oil as energy conservation and the switch away from oil to other energy sources gathered pace. If OPEC had maintained its market share, that stagnant global market for oil would have still meant production of just 30 million barrels per day. This, of course, would have been no worse than in 1973 but then competition from other oil producers took away a further 14 to 15 million barrels per day from OPEC. Overall, as Figure 2 suggests, the gap now between OPEC's

OPEC's Lost Sales

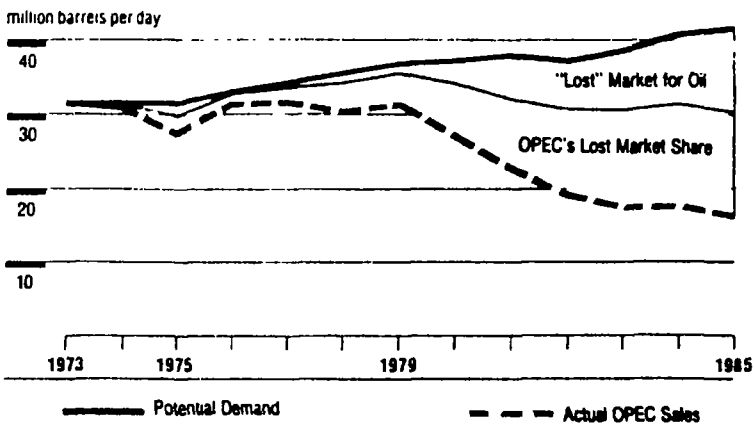


Figure 2

Source: AMEX Bank Review, March 1986.

current output of well below 20 million barrels per day and that of its potential output of over 40 million barrels per day is explained by a zero growth in total demand for oil in general and a large decline in OPEC's market share.

Saudi Arabia's 1985 decision

By 1983 the prospects were getting no better for OPEC. By 1984 and 1985 demand for OPEC oil was still sluggish despite the boom of the US economy and the general worldwide economic recovery. Most importantly OPEC's swing producer, Saudi Arabia, was having to reduce output more and more and at one time was reported to be producing less than 2 million barrels per day. It was no longer fanciful at that point to consider whether Saudi Arabia might even become the first non-oil producing member of OPEC if the trend had continued! Even the continued loss of output from Iran and Iraq due to the war between them was failing to make any difference in OPEC's favour, partly due to Saudi Arabia itself producing oil for Iraq as part of its assistance programme.

By 1985, therefore, Saudi Arabia had to make an important strategic decision. The valuable pool of foreign investments built up in the previous fifteen years was under threat. Foreign investments totalling \$150 billion had fallen dramatically to around \$100 billion and a considerable portion of these investments were not particularly liquid (for example, Saudi Arabia has lent considerable amounts to other developing countries). It is likely that by early 1985 its truly liquid reserves, which it might consider available for financing the balance-of-payments deficit, were probably little more than \$50 billion. With an annual balance-of-payments and budget deficit of between \$20 and \$25 billion the prospect was that Saudi Arabia's liquid investments would have all but disappeared by the end of 1987.

For a long time Saudi Arabia was able to live with the lower oil prices by both reducing its investments and by cutting expenditures. By 1985, however, its ability to cut expenditure was beginning to reach a critical floor. The Government's budget had already been cut by one-third, from spending of \$84 billion in 1981 down to \$55 billion in 1985. Further cuts would have meant Saudi Arabia would have been spending less than before the second oil price increase (see Table 1).

For countries with a much lower income per head, the idea that Saudi Arabia could not cut back spending when its income per head was still \$12,000 hardly seemed reasonable. Furthermore, it was often argued

Table 1: Saudi Arabian Budget 1978-85

Fiscal years ²	Revenue ¹		Expenditure ¹		Balance \$ bn ³
	\$ bn ³	% change on year	\$ bn ³	% change on year	
1978	38.38	+3.7	43.52	+11.3	-5.14
1979	62.86	+63.8	56.06	+28.8	+6.80
1980	104.53	+66.3	71.04	+26.7	+33.49
1981	108.88	+4.2	84.22	+18.6	+24.66
1982	71.77	-34.1	71.40	-15.2	+0.37
1983	55.29	-23.0	64.69	-9.4	-9.40
1984	47.41	-14.3	60.48	-6.5	-13.07
1985	55.40	+16.9	55.40	-8.4	0

¹ Actual expenditures and revenues for 1978-84. Budget data for 1985

² The fiscal year begins on 22 March.

³ Saudi Riyal data converted at average year exchange rates. 1985 figures converted at \$1/SR3.61.

Source: *AMEX Bank Review*, May 1985, calculated from official Budget data.

that Saudi Arabia was able to reduce spending easily because the bulk of infrastructure investment had been carried out. Thus, its spending pattern should have passed a natural peak.

However, though the infrastructure investments have been largely completed and new plans can be delayed or cancelled, the maintenance costs are only just beginning to increase rapidly. The country now has to staff, supply, maintain and generally spend money on its infrastructure. Hence, further spending cuts are difficult to find. Saudi Arabia has become, in the standard parlance, a 'higher' if not a 'high absorbing' country. The domestic economic squeeze has been leading to substantial bankruptcies and credit problems throughout the Kingdom. Whilst poorer OPEC countries may argue that a rich country could make further sacrifices, for a country sitting on the world's largest supply of cheap oil reserves, the prospect of going through major austerity and political and economic strains would seem to be an unnecessary hardship.

Thus, by 1985 Saudi Arabia was in a box. Expenditures could no longer be cut, the country could no longer continue to run a large deficit, and revenues were still falling as oil sales declined and the price itself was pointing downwards. The only solution for Saudi Arabia was therefore either to engineer an oil price increase (by then out of the question) or to increase production. The latter course would threaten

the whole OPEC production sharing arrangements. Any other producer that wished to increase sales would then be at liberty to do so.

The final option for Saudi Arabia would have been to do nothing, and to hope that somehow demand might increase. But this looked a more and more forlorn hope, even with a more buoyant world economy, and hence by September 1985 Saudi Arabia took the strategic decision to increase production at least to its agreed OPEC quota of 4.3 million barrels per day.

Predictably the Saudi Arabian change of strategy caused a revolution in the oil markets. The oil price plunged to the low levels where it is today. To achieve its oil income objective of some \$40 billion p.a. (some \$15 billion comes in from non-oil sources including investment receipts), Saudi Arabia eventually needs to get its sales back to 7–8 million barrels per day (mbpd) if oil prices stay around \$15 per barrel. In order to be no worse off than it was prior to its shift of strategy, and if prices stay at \$15, output must reach 5 mbpd. If oil prices plunge to \$10 per barrel then output would have to go up to the 7–8 mbpd range just to be no worse off than in 1985 (see Table 2). The latter target would be

Table 2: Saudi Arabia's oil revenue calculations

US\$ billion	US\$ Price per barrel				
	5	10	15	20	25
Output mbpd					
2	3.7	7.3	11.0	14.6	18.3
3	5.5	11.0	16.4	21.9	27.4
4	7.3	14.6	21.9	29.2	36.5
5	9.1	18.3	27.4	36.5	45.6
6	11.0	21.9	32.9	43.8	54.8
7	12.8	25.6	38.3	51.1	63.9
8	14.6	29.2	43.8	58.4	73.0

Source: AMEX Bank Review, March 1986.

extremely ambitious and thus at a low price Saudi Arabia is likely to end up with less income than it would have had if it had not changed its strategy. At that point the country has to hope that the strategy does work in the long term in terms of restoring demand for oil and allowing Saudi Arabia to sell oil at this high level. If the price could be engineered in some way back to \$20 per barrel then Saudi Arabia could live with output of around 4 mbpd. But this would still leave it with the \$20–\$25 billion losses which it eventually has to largely eliminate. Realistically

Saudi Arabia may be no better off in the short run, and hence currency devaluation and austerity measures have not been averted. But in the longer run the country was on a downward slide of production if oil had stayed at 2 mbpd or even less. Something had to be done.

The impact on the Third World

The prospect of oil prices staying depressed reduces oil exporters' income prospects as well as leading to significant savings for oil consuming countries. Table 3 measures the impact on major oil producers of a price of \$15 and a price of \$10 per barrel.

Cost to oil producers

Indebted oil producers' do gain some offset to the oil loss from the potential falls in interest costs on foreign debt. The lower level of oil prices brings down the general level of world inflation and thereby should lower the nominal level of interest rates. Roughly speaking, a fall in the price of oil to \$15 should in itself have led to a 1.5 per cent fall in the level of dollar interest rates, and a fall to \$10 per barrel can be assumed to encourage a 2 per cent fall in total. In practice as oil prices have fallen during 1986, dollar interest rates have also been declining by such levels.

The largest single losers in terms of dollars, are Mexico, Nigeria, Venezuela and Algeria, losing between \$4 and \$6 billion at a \$15 oil price and losing by \$5-9 billion if the oil price falls to \$10 per barrel over a one year period.

The reduction in the interest burden changes some of these figures significantly. In particular, highly indebted Mexico gains almost \$1.5 billion if interest rates fall by 1.5 per cent and almost \$2 billion if interest rates fall by 2 per cent in total. Nigeria, in contrast, has less of an offset from lower interest rates as its debts are considerably less than those for Mexico. For Venezuela, roughly 10 per cent of the oil income loss is offset by the lower level of interest rates.

The impact of these lower earnings can be judged in a number of ways. Table 3 analyses the impact as the percentage of countries' current account proceeds, and of levels of imports. The impact on debt service ratios is also important (see Table 4), as is the availability of foreign exchange reserves to cushion the country against the immediate losses (see Table 5).

The countries in Table 3 are ranked in terms of the loss as a

Table 3: Impact on major oil producers of a US\$15 price

	Fall in Oil Exports (US\$ mn)	Interest Saving (US\$ mn)	Total Impact (US\$ mn)	Impact as % of Receipts Imports	
Nigeria	-5,256	330	-4,926	39.4	55.1
Gabon	-696	21	-675	31.4	79.4
Algeria	-4,020	270	-3,750	27.4	39.5
Venezuela	-5,106	525	-4,581	27.0	69.0
Ecuador	-828	119	-709	23.6	38.3
Trinidad and Tobago	-600	17	-583	23.3	33.3
Mexico	-6,240	1,460	-4,780	17.7	39.8
Indonesia	-2,127	467	-1,660	8.5	13.0
Malaysia	-1,500	288	-1,212	6.3	9.7
Egypt	-984	420	-564	5.0	5.2
Peru	-324	207	117	2.9	5.9

Of a US\$10 oil price

	Fall in Oil Exports (US\$ mn)	Interest Saving (US\$ mn)	Total Impact (US\$ mn)	Impact as % of Receipts Imports	
Nigeria	-7,446	440	-7,006	56.0	78.4
Gabon	-986	28	-958	44.6	112.7
Venezuela	-7,905	700	-7,205	42.3	109.3
Algeria	-5,695	360	-5,335	39.5	56.2
Ecuador	-1,173	152	-1,021	34.0	59.3
Trinidad and Tobago	-850	21	-829	33.2	47.4
Mexico	-8,840	1,946	-6,894	25.5	57.5
Indonesia	-3,103	622	-2,391	12.3	18.7
Malaysia	-2,125	384	-1,741	9.1	13.9
Egypt	-1,394	560	-834	7.4	7.7
Peru	-459	276	-183	4.6	9.2

Source: AMEX Bank Review, March 1986.

percentage of current account and receipts, and hence Nigeria's losses, as high as 56 per cent of earnings at a \$10 price, stand out ahead of the field, while most other countries lose at least one-third of their earnings at this price level. Mexico's losses, at one-quarter of foreign currency income, are somewhat less in comparative terms as the country relies less on oil for foreign exchange than do countries such as Nigeria.

In terms of the required cut in imports to fully offset the lower income, the numbers are more dramatic. For example, at a \$10 price

Table 4: Impact on interest to earnings ratios¹
Oil exporters

%	1985 Ratio	Incl. interest gain		Excl. interest gain	
		Oil at US\$15	Oil at US\$10	Oil at US\$15	Oil at US\$10
Mexico	35.8	39.5	42.5	46.5	53.2
Peru	27.7	24.5	23.5	29.2	30.2
Ecuador	25.9	30.3	34.2	35.8	42.5
Venezuela	22.0	26.0	31.0	30.8	40.3
Egypt	16.0	13.5	12.6	17.6	18.3
Indonesia	13.7	12.7	12.4	15.3	16.2
Nigeria	12.2	16.5	21.4	21.4	30.9
Algeria	9.9	11.3	12.6	14.1	17.2
Malaysia	8.9	8.0	7.7	9.7	10.0
Trinidad and Tobago	4.0	4.4	4.8	5.3	6.1
Gabon	3.7	4.1	4.5	5.5	6.9

¹ Interest payments on debt as % of current account earnings.

Source: AMEX Bank Review, March 1986.

Table 5: Oil producers' liquidity cushions

	Foreign Exchange Reserves ² (US\$ mn)	Number of months of reserves available to cover income loss			
		Oil at US\$15 Oil income loss	Net loss ¹	Oil at US\$10 Oil income loss	Net loss ¹
Algeria	3,236	9.7	10.4	6.8	7.3
Ecuador	678	9.8	11.5	6.9	8.0
Egypt	800	9.8	17.0	6.9	11.5
Gabon	200	3.4	3.6	2.4	2.5
Indonesia	9,439	53.3	68.2	36.5	47.4
Malaysia	4,912	39.3	48.6	27.7	33.9
Mexico	5,027	9.7	12.6	6.8	8.8
Nigeria	1,325	3.0	3.2	2.1	2.3
Peru	1,344	49.8	137.8	35.1	88.1
Trinidad and Tobago	913	18.3	18.8	12.9	13.2
Venezuela	10,215	24.0	26.8	15.5	17.0

¹ Oil income loss net of saving on interest costs.

² Latest data reported by the IMF: in some cases reserves are now already lower. Gabon however may also draw on liquidity from the Central African States' common central bank.

Source: AMEX Bank Review, March 1986.

even with the interest saving Venezuela would have to stop importing altogether, if this extreme route were taken. In practice it raises the possibility that Venezuela may need to seek new finance from lenders, a hitherto absent need, which allowed the country to avoid applying for IMF loans. For countries already undergoing austerity this required cut in imports is the most forceful demonstration of the impact of the income loss. Equally it shows that for countries such as Indonesia, whilst still an oil-dependent country, the income loss as a percentage of imports is significantly less than for most other oil producing countries. The country of course also has to continue with its austerity programme, but the sheer financial damage emerges as being considerably more muted than for Mexico, Nigeria and Venezuela.

With respect to the debt crisis the impact of these income falls can be measured best by looking at the changes in interest to earnings ratios (Table 4). This particular ratio is important as it is the ratio which a country must meet in order to keep its interest payments up to date. A great deal of principal has now been rescheduled, but banks in particular need to ensure that assets remain on a fully interest-earning basis, if they are to continue to consider new money packages, further financial support and maintaining trade credit lines.

By 1985 many oil producers' interest-to-earnings ratios had come down substantially, but were still in several cases above an interest-to-earnings ratio of 20 per cent. While there is no magic level to decide when an interest-to-earnings ratio is too high, clearly a country that is paying much more than 20 per cent out of annual income on interest alone has a substantial debt burden.

As Table 4 shows, changes in the oil price and interest level would lead to substantial changes in these ratios. First, if the interest gain is included in the calculation, in 1986 Mexico would see its ratio rise from 35.8 per cent to 42.5 per cent if oil falls to \$10 per barrel (in practice it is unlikely that throughout 1986 oil prices will average \$10 given an average level of around \$15 for the first six months). The ratio for Peru falls, as the interest gain is more significant than the overall loss of total current account income. Perhaps one of the most significant increases is that for Venezuela, with the ratio rising from just over the indicative critical level of 20 per cent, to over 30 per cent. The ratios for Indonesia and Nigeria stay relatively low.

Should the interest gain not come through or be reversed from where it is today, then the ratios look considerably worse. If interest rates rose again to 1985 levels and oil fell to \$10 per barrel, Mexico would face the

prospect of an interest to earnings ratio of over 50 per cent. Other countries' ratios rise to 30 per cent-40 per cent, and for Venezuela this would represent a doubling of the interest to earnings ratio. For the time being the ratios for 1986 are likely to be closer to the lower levels in this sensitivity analysis, with the interest gains having come through and oil probably averaging around \$15 for the calendar year. Nonetheless with oil markets weak, the impact is still likely to be substantial.

The final measure for gauging the impact of the lower price on oil-producing countries is obtained by comparing the loss with the countries' outstanding foreign exchange reserves. Where a country has substantial foreign-exchange reserves, it is able to postpone adjustment even though for all countries reserves would eventually run out if no economic adjustment to the lower income level were taken. Indonesia, with foreign exchange reserves of over \$9 billion, has a substantial cushion and in theory could afford to draw on reserves for three years, even under the worst case of a \$10 price and no gain on the interest rate side. Most other countries have much less in the way of a financial cushion.

Oil consumers' gains

While the loss of oil income spells financial danger for many oil-producing countries, the lower oil price clearly is good news for many oil-consuming countries. Table 6 measures the oil bill savings and the accompanying interest rate reductions for a number of countries. In dollar terms the largest gains are made by Brazil, which could save over \$6 billion under the best-case scenario. Such a saving would allow the country to increase imports by over 40 per cent in one year, which would be a dramatic boost to a country seeking to expand its economy. Other countries with substantial gains include Greece, Turkey, India, the Philippines and Korea.

Some of these gains will be offset where countries currently earn substantial sums from trade or service contracts with oil-producing countries. Korea and Turkey, for example, earn substantial amounts from remittances of workers and from construction fees earned in the Middle East. Of course these countries' drive to increase such earnings was part of a strategy to hedge against the impact of high oil prices. In consequence, as oil prices have fallen, the value of that hedge has also declined accordingly. The task for these countries' authorities is to ensure that those enterprises which now are on the losing side are

Table 6: Impact on oil importers of a US\$15 oil price

	Fall in oil imports (US\$ mn)	Interest saving (US\$ mn)	Total impact (US\$ mn)	Impact as % of Receipts Imports	
Greece	1,464	375	1,839	21.1	19.6
Turkey	1,728	242	1,970	14.2	19.2
Brazil	2,832	1,505	4,337	14.3	29.4
Uruguay	120	72	192	13.4	24.9
Portugal	1,044	231	1,275	13.2	17.0
Chile	264	285	549	12.5	15.0
India	1,872	98	1,970	12.2	15.2
Philippines	684	250	934	11.6	14.6
Sri Lanka	192	39	231	11.6	13.2
Korea	2,700	645	3,345	10.4	11.9
Thailand	708	233	941	9.6	9.6
Pakistan	456	30	486	7.7	7.7

Of a US\$10 oil price

	Fall in oil imports (US\$ mn)	Interest saving (US\$ mn)	Total impact (US\$ mn)	Impact as % of Receipts Imports	
Greece	2,074	500	2,574	29.6	27.4
Brazil	4,012	2,005	6,017	21.7	40.8
Turkey	2,448	322	2,770	19.9	26.9
Uruguay	170	92	262	18.9	34.0
Portugal	1,479	308	1,787	18.5	23.8
India	2,652	130	2,782	17.2	21.4
Sri Lanka	272	52	324	16.2	18.5
Philippines	969	335	1,304	16.0	20.4
Chile	374	380	754	15.3	20.6
Korea	3,825	860	4,685	13.9	16.7
Thailand	1,003	310	1,313	13.8	13.4
Pakistan	646	40	686	10.8	10.8

Source: AMEX Bank Review, March 1986.

supported in view of the countries' overall balance-of-payments benefits.

Overall the benefits to oil-consuming countries, in terms of savings of current account receipts, is less than the damage done to oil-producing countries' earnings picture. Most countries gain somewhere between 10 per cent and 20 per cent of earnings under the best-case scenario.

compared to the much higher loss levels suffered by some producers. In practice, the benefits from lower oil prices are more widely distributed across the world, while the losses tend to be concentrated on those earning money from oil.

A number of these consuming countries will enjoy an improvement in their financial position, particularly in terms of the improvements of their debt servicing ratios (see Table 7). For example, the interest-to-earnings ratio for Brazil now has a very good change of falling below 30 per cent in 1986, the lowest level for many years. It should be noted that the calculations in Table 7 only reflect the lower interest impact for these countries, and to gain a truer comparison the lower oil bills could be added to the denominator of the ratio. On this basis Brazil's ratio would drop to 28 per cent if oil prices averaged \$10 per barrel.

Of course, the impact of lower oil prices on developing countries does not stop at the fairly straightforward calculation of oil income losses and oil bill savings. All countries will be affected by the stimulatory effect on the world economy of low oil prices, and in many cases the end of the oil boom could lead to structural improvements in some countries. For example, the non-oil economy of a country such as Nigeria has suffered considerably in the last fifteen years. The over-valued naira,

Table 7: Impact on interest to earnings ratios¹
Oil importers

	%	1985 Ratio	Oil at US\$15	Oil at US\$10
Chile		46.3	40.5	38.6
Brazil		39.8	34.4	32.6
Philippines		22.7	19.4	18.3
Uruguay		22.4	17.2	15.4
Greece		19.7	17.5	16.1
Portugal		13.4	11.1	10.3
Turkey		12.2	10.5	9.9
Korea		11.8	9.9	9.3
Thailand		10.7	8.3	7.5
Pakistan		9.5	9.0	8.8
Sri Lanka		7.5	5.6	4.9
India		6.2	5.6	5.4

¹ Interest payments on debt as % of current account earnings.

Source: AMEX Bank Review, March 1986.

for example, has forced many domestic producers into difficult positions. Nigeria has now become a net food importer. Non-oil exports are extremely small. In the short run, currency devaluations associated with lower oil prices will not lead to a boom in non-oil exports overnight, and the most important impact is likely to be in terms of curbing imports. However, with a competitive exchange rate non-oil exports ought to be substantially higher. That Nigeria is exporting less than 5 per cent of GNP in non-oil products is a measure of how little it is tapping its potential for generating foreign exchange earnings. Meanwhile the country at one point was importing goods to the value of 31 per cent of GDP. Similarly, Mexico, when its currency has been competitive, has shown substantial gains in the non-oil economy, and there is no reason why this will not be able to happen again in future years.

The longer-term outlook for oil

A substantial fall in the oil price to even single figures cannot be ruled out under present conditions. At the same time, OPEC is continuing to attempt to support the oil price, in a price range of between \$15 and \$20 per barrel, though some would like to see a return to \$28 per barrel.

The financial equation suggests that many countries would like to see the oil price fall limited to around \$15 per barrel, and it is probably in the interests of the consumer of energy worldwide that the oil price collapse does not go too far. If oil prices do fall to lower levels for a sustained period, then it is highly likely that much of the changes in the demand for oil which have occurred since 1973 will begin to reverse themselves. Demand for energy efficient products will diminish, conservation measures are bound to lapse as companies, individuals and governments switch their concentration away from energy saving to other ways of improving productivity and their economies. Consumers will not remove existing energy conserving investments (for example, the insulation of houses), but the incentive to invest in further insulation and further energy-saving devices will fall.

In the short run, demand is unlikely to pick up dramatically unless speculative stock-building takes place, but the potential for a rise in demand if the era of cheap oil seems to be returning must not be underestimated.

If the low oil price continues, then the risk for the consumer countries is that at a future date an oil cartel will be possible once more. While

those in favour of pure market forces would not suggest that this possibility warrants intervention in the market, it is important to recognise that the oil market is hardly free worldwide. Oil is distributed extremely unevenly, with Middle East countries having the largest supply of cheap oil, and industrial countries having potentially large supply, but at higher production costs. Oil and energy is a unique input into the production process (whether in industry, agriculture, or services) and all consuming countries are affected by changes in the price of energy. No country wishes to be totally dependent on imported energy, and thus, even at high prices, many production facilities and alternative energy sources will be maintained. Limiting the oil price fall to around \$15 could limit the reversal of conservation and ensure that a more stable price of energy is achieved in the longer term. This would enable countries to plan their spending patterns more easily, and protect oil-producing countries from the impact of volatile earnings streams.

But can market stability be restored, assuming that to be desirable? At present there is no group of producers both willing and able to control the price through production agreements. The advent of active spot trading rules out easy price intervention by a few producers. Industrial countries at present are enjoying the price falls, even though the UK and US economies have to bear some costs in terms of problems in the energy sector (US) and lost government oil revenues (UK). But both the UK and the US gain as consuming countries. OPEC will undoubtedly continue to try and limit production, but it is difficult to see how a real change in the present position of massive oversupply and low demand can be achieved. Most metals producers will provide evidence of how a market can suffer a major price depression after a period of massive investment stimulated by a high price for the product. Consequently, oil-producing developing countries must now adjust to lower income prospects, while consumers can welcome the gains.

Rainbow Warrior: nuclear war in the Pacific

ate on the night of 10 July 1985, the Greenpeace flagship *Rainbow Warrior* lay at her berth at Marsden Wharf in Auckland Harbour. Her crew were resting from preparations for a protest voyage to the French nuclear testing site at Moruroa Atoll, in eastern French Polynesia. Ten minutes before midnight, two explosions rocked the ship, and she sank to the bottom of the harbour in less than four minutes. After abandoning ship, the crew discovered that one of their number had failed to escape. Crewman/photographer Fernando Pereira, a Dutch citizen, was trapped in his cabin below decks when the second explosion went off. The coroner listed the cause of death as drowning. Over the next few days, it would become clear that the correct word was 'murder'.

'TERRORISM STRIKES' screamed local headlines, and the South Pacific found itself bathed in the glare of international publicity. Credulity turned to outrage as the culprits turned out to be agents of the French government, highly-trained underwater saboteurs from the *Direction Générale de la Sécurité Extérieure* (DGSE), the French equivalent of the American CIA and British MI6. Although seldom used at first, the words 'state-backed terrorism' began to creep into the lexicon of journalists from around the world who flocked to Auckland and Paris to cover the story.

The drama that unfolded had all the elements of a best-selling spy thriller, replete with high-level diplomatic meetings, political scandal, nuclear intrigue, government cover-up, military strategy, submarines on secret missions, trade sanctions, and a pair of saboteurs masquerading as honeymooners. As one Auckland detective described it at the height of the investigation, 'Well, I can't tell you much, but you've heard of John le Carré? Robert Ludlum? Well, those boys could never have dreamed this one up!'

The mainstream news media in the northern hemisphere, after initial reports on the sinking, largely ignored the incident, its context and implications until it blossomed into the spy story outlined above. By that time, the scene had shifted to Paris, and *l'affaire* thickened:

vanishing agents, political scandal, rumour-mongering, the official whitewash of the Tricot Report, speculation of an 'Underwatergate' for Mitterrand. But the near-collapse of the French government in political infighting, the dismissal of the head of the DGSE, the resignation of the Defence Minister, Charles Hernu, partisan politics and backstabbing have obscured the deeper significance of the bombing of the *Rainbow Warrior*. In the context of the current political face of the South Pacific, it was just another manifestation of the pattern of coercion, economic blackmail and strong-arm tactics employed by the US and France to achieve their political and military objectives in the region.

There is growing evidence that these policies are backfiring dramatically, but the tactics appear to continue unabated. Despite the fact that the Pacific has begun to emerge on the world political scene as a region to be reckoned with, the US and France seem bound and determined to ignore regional interests and utterly isolate themselves in the area. The bombing of the *Rainbow Warrior* was simply the most dramatic expression of that fact.

Since World War II, Northern political opinion has tended to dismiss the Pacific as a backwater, or as an 'American Lake'. Travel brochures describe the 'quaint natives' of French Polynesia, who have been rescued from cultural ignominy by their introduction to French *haute cuisine* and the other 'benefits' of *Liberté, Égalité, Fraternité*. Of course, the travel brochures don't show the slums of Papeete, nor do they mention the distortion of the Tahitian economy by the French military presence with its attendant high prices (young, single French soldiers are paid extraordinarily high wages for their tours in the *Centre d'Expérimentation Pacifique*) and rampant inflation, which has disenfranchised many Tahitians. No one summed it up better than then Assistant to the President for National Security Affairs, Henry Kissinger, in 1969, when he responded to a question about US handling of its United Nations Trust Territory responsibilities in Micronesia with, 'There's only 90,000 of them out there. Who gives a damn?'¹

Today, however, Kissinger would have a hard time getting away with such a statement. A series of events in the past two years have served to highlight the utter transformation of the peaceful and idyllic image of the Pacific region. The bombing of the *Rainbow Warrior* and the murder of Fernando Pereira was not simply a senseless act, 'a third rate

¹ Walter Hickey, *Who Owns America?*, Englewood Cliffs, New Jersey: Prentice-Hall, 1971, p 208, as quoted in Donald McHenry, *Micronesia: Trust Betrayed*, Washington DC: Carnegie Endowment for International Peace, 1975, p 98.

burglary', as many have tried to characterise it. The controversy in the Pacific over American and French foreign policy and nuclear-military presence has become deadly, and deadly serious for those concerned with these issues. They have a common theme, which is that the US and France will continue to bully, coerce, and even murder to try and foist their views upon their 'allies' in the Pacific. Seven events or developments can be pointed to as exemplary of the shifting winds of South Pacific politics.

First and foremost, the 'ANZUS Row', as it is referred to in the New Zealand press. David Lange's Labour Government, with the overwhelming backing of public opinion, has upheld its election promise of barring nuclear-armed or nuclear-propelled warships from New Zealand harbours. The US has not taken kindly to this, threatening New Zealand with trade sanctions, withholding defence information, and all but accusing the New Zealanders of acting in concert with the Soviet Union. US politicians decry the 'Kiwi disease' (along with the 'Dutch disease', the 'Greek disease', and various other obviously aberrant national pestilences) which plagues the government of New Zealand and its population. Its symptom: a fundamental refusal to cooperate in the policy of nuclear deterrence. Despite all assurance to the contrary, the US has made the case that such a lack of faith in nuclear defence can only be interpreted as a threat to the solvency of the alliance itself. Although the commentary from the US Administration has been reasonably polite in public, behind closed doors the economic and political pressure on the New Zealand government has become enormous. A change of ambassador to a suave and diplomatic Reagan hard-liner, and a stepped-up US Information Agency presence in New Zealand are only the more visible part of the US effort to undermine the Lange government and its anti-nuclear policy at home.²

The escalation of the struggle in New Caledonia over French colonial rule marks a second portent of change. The more radical elements of the *caldoche* (white French settlers) have spawned a number of right-wing paramilitary organisations, led by expatriates from former French colonies in Algeria, Vanuatu and Vietnam which are locked in a

² The US policy to neither confirm nor deny the presence of nuclear weapons on its ships has nothing to do with protecting US national security, but rather is intended to quell potential anti-nuclear protests in the respective countries, like Japan and Australia, where Navy ships dock. *Jane's Fighting Ships* provides detailed information about which ships are nuclear-powered and nuclear-armed, and according to Admiral Eugene Carroll (retired) of the Center for Defense Information, both the US and USSR have the national technical means, both satellites and spies, to keep abreast of each others' navies.

struggle with the native Melanesians, the Kanaks. This struggle has grown increasingly violent in the past year and a half, and the Parisian politicians seem sweetly reasonable in comparison to the white settlers. However, the rabidly pro-French *caldoche* serve Paris' military objectives well, and the construction of a major nuclear submarine facility in Noumea proceeds apace, despite the strong objections of all nearby nations. There are few indications that the conflict will subside in the near term.

A third, relatively recent development in the region has been the heightened awareness of past abuses, especially with regard to the atmospheric nuclear testing of the US and UK. The *Rainbow Warrior's* evacuation of 304 islanders from their contaminated home atoll of Rongelap once again raised the spectre of the victims of the US nuclear testing programme of the 1940s and 1950s in the Marshall Islands. Along with the more familiar story of the Bikinians and their long search for a new home, the story of the Rongelap people's severe contamination by fallout from the infamous 'BRAVO' hydrogen bomb test in 1954 gained the Rongelapese some notoriety and some much-needed assistance from various non-governmental sources. At the same time the publicity surrounding the evacuation helped bring to light recently declassified Defense Nuclear Agency documents relating to the testing programme.³ The documents revealed, at the very least, dreadful mishandling of the UN Trusteeship by the United States; at worst, evidence that the US government has been conducting a heartless 'experiment' with unwitting human victims for the past thirty years. In the words of one US scientist 'the habitation of these people on this island [Rongelap] will afford most valuable ecological radiation data on human beings'.⁴ The story of the evacuation received little or no coverage in North America, but elsewhere in the world, the US was chided once again for its failure to live up to the terms of the UN Trusteeship agreement by which it currently holds dominion over the vast sweep of Micronesia.

Fourth, the assassination of President Haruo Remeliik of the tiny near-nation of Belau (Palau) and the subsequent installation of President Lazarus Salii, who seems bound and determined to undermine Belau's nuclear-free Constitution in favour of US nuclear

³ Defense Nuclear Agency, *Castle Series, 1954*, DNA 6035F, 1 April 1982, p 202 and throughout

⁴ Robert A Conard *et al*, *March 1957 Medical Survey of Rongelap and Utrik: People Three Years After Exposure to Radioactive Fallout*, Upton, New York: Brookhaven National Laboratory, June 1958, BNL 501, p 22.

interests, cannot go unmentioned. Despite six referenda that have upheld the non-nuclear aspects of the Belau Constitution, the new Belauan President has tried to enter into an 'administrative agreement' with the US which would somehow obviate the crystal-clear provisions of the Belau Constitution on this subject:

Harmful substances such as nuclear, chemical, gas or biological weapons intended for use in warfare, nuclear power plants, and waste materials therefrom, shall not be used, tested, stored, or disposed of within the territorial jurisdiction of Palau without the express approval of not less than three-fourths (¾) of the votes cast in a referendum submitted on this specific question.

(Belau Constitution, Article XIII, Section 6)

The traditional leaders of Belau have now taken the issue to the Belauan courts, and have severely challenged US plans to dissolve the UN Trust Territory of the Pacific Islands with all her military plans intact.

The story of the American attempt to remove the stigma of colonialism from its presence in the Pacific would fill many pages, but it is sufficient to note that the long process of dissolving the last of the eleven trusteeships formed by the United Nations after World War II has been fraught with deception, economic blackmail, ignorance and bureaucratic and diplomatic ineptitude. Although the murder of President Remeliik has never been solved, the US cannot have been sorry to see a strong yet beleaguered defendant of the nuclear-free Belauan Constitution disappear in favour of a pro-US politician. Given the unstable situation in the Philippines, Belau forms the next layer of 'defence' against the supposed menace from the East (or West, if your vantage point is in Belau). Along with the Kwajalein Missile Range in the Marshall Islands, planned US military bases in Belau are key to the future of the region from a US nuclear strategic viewpoint, as are long-established US bases at Guam, and proposes bases at Tinian and Saipan, in the Northern Marianas.

A fifth development is the increasing likelihood that Pacific nations treated callously by the West will deal with the Soviet Union instead. The tiny nation of Kiribati, formerly comprising the British colony of the Gilbert Islands and the Phoenix and Line Islands, recently signed a major fishing agreement with the USSR in exasperation over the utter disregard of her 200-mile Exclusive Economic Zone (EEZ) by US tuna fishermen. Washington's consistent refusal to do anything to upset the powerful domestic fishing lobby has resulted in the only real 'toehold'

the USSR has in the region. The recent seizure of the US tuna seiner *Jeanette Diana* in the Solomon Islands is another manifestation of this phenomenon: Pacific nations all considered that the Solomons had acted entirely within the international law when it seized the vessel, while the US response was one of economic sanctions, threats, and general bully-tactics. The net result of these situations resulted in a build-up of anti-US sentiment in the Solomons to the point that the government publicly suggested that they would invite the USSR to fish in their waters.

If one looks at the Pacific Islands in terms of land mass, the region retains its character of being wide open, and the far-flung 'micro-states', most of them newly independent and struggling economically, seem extraordinarily insignificant. However, if you draw 200-mile EEZS around these same nations, the character of the region changes dramatically. What was once a playground for naval forces and fishermen becomes a maze of territorial and economic zones, with a whole new set of legal, economic and diplomatic restrictions that the US, France and others have been able largely to ignore until now.

One of the most telling measures taken by the South Pacific nations was the signing of the South Pacific Nuclear Free Zone Treaty (the Treaty of Rarotonga) concluded in the Cook Islands at the 16th annual meeting of the South Pacific Forum on 6 August 1985, the 40th anniversary of the bombing of Hiroshima. Although US Secretary of State, George Shultz, belittled the effort by referring to 'a message in a bottle from somewhere in the South Pacific', and although it is criticised by some South Pacific nations and anti-nuclear activists as not being strong enough, the treaty is an important first step in institutionalising the region-wide sentiment that the Forum nations have no desire to be pawns of either side in the superpower confrontation. What must be more disturbing to the US is that there are indications that this sort of sentiment is spreading to the ASEAN nations as well. All of the nuclear powers have been invited to sign three Protocols to the treaty, agreeing not to test or store nuclear weapons in the region, nor to use the region for disposal of nuclear wastes. It was not surprising that the only nuclear power that showed any initial interest in the treaty was China. There have been recent indications from the Soviet Union, however, that it too is now willing to sign on.

Item seven, the leaking of a report by Robert C Kiste and R A Herr, who had been commissioned by the US State Department to look at the current situation in the Pacific. The report's conclusions stated, in a

nutshell, that the greatest enemies of Western interests in the Pacific were the foreign policies of France and the United States. After failing to suppress the report the US State Department dismissed it out of hand. Even so, its conclusions rang true in many quarters, especially when it referred to the US's 'attitudinal schizophrenia toward the South Pacific'. Although the 'Soviet threat' continues to be used by both France and the US as justification for their military build-up in the region, the report found that:

By the usual objective criteria, the South Pacific ranks as one of the most vulnerable regions in the world and yet it has perhaps the least Soviet influence of any area of the globe. Further . . . the prospect of a physical or political danger from the Soviet Union was not regarded as high. Indeed, even in circumstances where a Soviet or surrogate opportunity has arisen, these have not necessarily emerged as a consequence of Island vulnerability.

The most concrete instances of opportunity have occurred as a result of controversy which could be seen as generated by the Western nations themselves. French attitudes on decolonisation have banked up frustrations which have found outlets in Cuba and Libya. American fisheries legislation has produced conflict and stalemated solutions to an extent where even Soviet assistance has become acceptable. Ironically, there is little evidence to suggest that either the USSR or the possible Soviet surrogates had actively probed to find such opportunistic occasions for exploitation . . .⁵

The veil had been lifted for those who had not yet seen. In the Pacific, the US had 'egg on its face' once again, although at home the report elicited little notice.

Last, but not least, the controversy over continued French nuclear testing at Moruroa. Repeated and universal condemnation of the French testing programme from Pacific nations has largely fallen on deaf ears in Paris. The huge military presence in Tahiti has effectively served to divide the opposition (although there is evidence of a resurgence of late) to the point where it is limited to an annual demonstration or two. However, growing contacts with the outside world are giving this movement new life. And growing interest in France's nuclear programme, as well as in the human victims of the French test programme, from Greenpeace and other international organisations apparently provoked the act of state-sponsored terrorism which shook the Mitterand government to its roots last summer and autumn.

⁵ Robert C Kiste and R A Herr, *The Potential for Soviet Penetration of the South Pacific Islands*, commissioned by US State Department, but not officially published. December 1984, pp 66-7.

Ironically, at the recent Western summit in Tokyo, one of the main topics on the agenda was how to combat terrorism. In attendance were the Heads of Government of France, Britain and the United States, the only nations in which Greenpeace has a presence, by the way, which did not offer some sort of condolences on the terrorist bombing of the *Rainbow Warrior*. Prime Minister Thatcher was clearly caught off guard by a New Zealand reporter's query as to whether France should not be condemned for the sabotage under the terms the summit had concluded. She responded that 'the two are totally different. Anyone who confuses them . . . there is no point in wasting time on the question.'⁶ In a subsequent letter explaining the statement, the government listed the fact that the French government had admitted responsibility for the act and expressed regret at the loss of life as mitigating factors.

As a point of comparison, it is worth noting that Walter Lini of Vanuatu defended his country's opening of diplomatic relations with Libya by saying that the *only* act of state-sponsored terrorism in the Pacific in recent times was the French government's sabotage of the Greenpeace ship.

If the bombing of the *Rainbow Warrior* was designed to suppress opposition to the French nuclear test programme in the region, it was an abysmal failure.

What has caused such an uproar in this formerly docile and obsequious part of the world? With all the region's historical, cultural, religious, political and economic ties to the West, one would have thought that a modicum of diplomacy could have smoothed over the rough edges of the clash between strategic concerns from the North with 'local interests' in the Pacific. This has not been the case, however. On the contrary, the US and France find themselves fighting a nuclear 'war' in the Pacific against a most unlikely set of opponents. However, the Pacific has changed, and the US and France have not kept in step.

The Pacific's nuclear 'war' dates back to 1945—to the bombing of Hiroshima and Nagasaki, followed by the US atmospheric nuclear testing programme in the Marshall Islands from 1946 to 1958. Then British tests at Christmas Island and in the Australian outback; the beginning of the French testing programme at Moruroa in 1966; more US tests at Johnston Atoll in the early 1960s; flight testing of ICBMs, anti-satellite weapons; and now 'Star Wars' technology at the Kwajalein Missile Range in the Marshall Islands. The displacement of local

⁶ 'Bombing not terrorism' *New Zealand Herald*, 7 May 1986.

populations and adverse health effects as a result of these programmes has not been without opposition, but that opposition has been so scattered and unorganised until recently that it has been little felt in Washington and Paris. However, it has not been without a profound effect on the political orientation of the newly emerging states in the region. In the words of the Australian Ambassador to the United States, F Rawdon Dalrymple:

It should be remembered that, other than Hiroshima and Nagasaki, the Pacific Islands have been the only locations where nuclear testing has had a direct and negative impact on the inhabitants. US atmospheric testing at Bikini Atoll and Rongelap displaced the residents of those atolls and legal suits are still continuing. It is not sufficient to say that the Islanders don't understand nuclear matters—they do, and in a more personal and immediate way than most of us who have never had any first hand experience of such matters.⁷

Given this experience, it is understandable why the people in the Pacific region are so outspoken and adamant on nuclear issues. It is not a growing attachment to the Soviet bloc. Their policies are not, at least not yet, anti-Western, but anti-nuclear, and policy-makers in Washington and Paris can refuse to acknowledge this distinction only at their peril. Most people in the emerging island nations as well as their more established counterparts in Australia and New Zealand acknowledge their ties to the West, but they do not feel compelled totally to subvert their own regional interests for a conflict between East and West which they feel centres primarily on Europe and has little to do with them, other than the fact that they too will die in all-out nuclear war.

Further, they recognise that their future and development is tied much more to Asia than to Europe or North America. The US would be wise to recognise the implications of this fact in terms of their Pacific policy as well. The volume of US trade across the Pacific has recently surpassed that over the Atlantic for the first time in history. The economies of Southeast Asia, Japan and the western Pacific Rim generally are some of the most vibrant economies in the world, and major trading partners for Pacific Island nations. They are rapidly becoming the centre of primary industrial production in the global economy. They are resource rich, technological wizards, and keenly competitive. Seen in this context, the US takes on many of the

⁷ F Rawdon Dalrymple, 'Partners, Friends and Allies. Australia and the Pacific' text of speech delivered to The Asia Society/Washington Center, Washington DC, 24 September 1985, p 16

characteristics of just another decaying industrial state, whereas from the Pacific, Europe is viewed as an economic museum, collecting dust in a corner.

How then does one explain the West's continuing belief that given sufficient economic pressure and strong-arm tactics, the Pacific nations are going to 'come around'? One can only surmise that they continue because they have 'gotten away' with it in the past. Strictly speaking, that is still the case. The US seems for the moment to have 'contained' New Zealand's anti-nuclear policy, inasmuch as the Australian government has, in the interests of preserving its uranium mining industry, continued to suffer embarrassment at home over backing down on the anti-nuclear platform on which it was elected. In a one-to-one economic war with a state such as the Solomon Islands, the US is bound to win; and it will probably also maintain military hegemony over Micronesia for some time to come. France still holds on to New Caledonia, although that seems to be only a matter of time. Growing civil unrest in French Polynesia can probably be dealt with by the massive French military presence in her colony. However, the nuclear 'war' surfaces on other fronts. The US has labelled Vanuatu 'the Nicaragua of the Pacific' for Prime Minister Father Walter Lini's outspoken anti-nuclear and anti-imperialist line. Land occupations by Marshallese landowners at Kwajalein Missile Range threaten what many commentators have called the military facility 'which has contributed more to the vertical proliferation of the nuclear arms race than any other site on earth'. Japan has joined the chorus of voices which regularly condemn French nuclear tests at Moruroa. China is gently courting major trade relations with Pacific states, and at the same time is paying very serious attention to the Treaty of Rarotonga and all that it implies, including restrictions on the passage of nuclear armed or powered vessels. France and the US face another confrontation with Pacific nations over the terms of a new Convention on a South Pacific Regional Environmental Programme. Once again, the battle is over things nuclear.

For some reason policy-makers in Washington and Paris do not seem to have caught on either to the depth of popular feeling in the Pacific on nuclear issues, or to the fact that it is no longer a political backwater, disconnected from the rest of the world. Jet aircraft, international news services, and satellite telephone and video links all serve to connect journalists, activists and politicians over the vast expanses of ocean that used to keep local populations in isolation and ignorance. Dozens of

recent books, feature and documentary films, and newspaper features appearing in North America and Europe have begun to transform the image of the Pacific from the stereotype of white sandy beaches, tropical sunshine and hula girls into a more realistic view of the region. What was once a collection of satellite states attached to one Western power or another has emerged as a newly self-conscious political region that increasingly tends to act more or less as a 'bloc' in international forums, especially regarding the nuclear issue. While running roughshod over popular political opinion in the Pacific, the US and France are increasingly isolating themselves from an emerging political and moral force in the world. Nowhere is this clearer than in the case of French nuclear testing. Once again, Ambassador Dalrymple puts the case well:

the United States is seen as being less than helpful by the States of the South Pacific. And that is because the United States has tended, is seen, anyway, to have tended to side with France on the issue of nuclear testing in the South Pacific . . . I think that continued French use of Moruroa Atoll for nuclear testing is absolutely certain to prejudice the South Pacific people against the West, that is to say United States and Australian interests in a way that will quite possibly prove very costly . . . If you want the South Pacific to become an area where the Soviet Union, Cuba and others of that stripe can find fertile ground for anti-United States, anti-West propaganda and activity and in which they can develop activities directly prejudicial to our interest—then [the US should] continue with a policy of indifference to what the French are doing there.⁸

The US and France are beginning to lose their nuclear 'war' in the Pacific. The bombing of the *Rainbow Warrior* illustrated the growing frustration and paranoia exhibited by France and the US in defence of their nuclear interests much better than anything Greenpeace had planned to do.

The *Rainbow Warrior's* protest voyage to Moruroa was the last leg of a pan-Pacific tour organised by Greenpeace in an attempt to bring home to its large constituency in the North a message whose proponents in the Pacific have made into a matter of government policy, the foundation of the Treaty of Rarotonga, and which is so generally accepted at home that it is almost a non-issue. Unfortunately, the message has not yet been heard in Washington and Paris, where nuclear strategists continue to plot tactics and scenarios in this latest, and perhaps the last arena for superpower confrontation: the Pacific. The message:

⁸ Dalrymple, *op. cit.* , pp 15, 19.

If It Is Safe . . .

Test It In Paris

Dump It In Tokyo

Store It In Washington

. . . But Keep My Pacific Nuclear Free!

The politicians, newspaper columnists and pundits in Washington, Paris, and other Northern capitals continue systematically to miss the point by decrying the arrogance of these 'micro-states' for choosing not to become embroiled in the East-West confrontation, by dismissing their real concerns as a naive failure to recognise the *Realpolitik* of the age of nuclear weapons, and by miscasting opposition to nuclear weaponry as opposition to the West. There is evidence, however, that the bombing of the *Rainbow Warrior* and other significant events of the recent past in the Pacific are beginning to stir them from the ignorance which has informed American and French foreign policy in the Pacific for so long.

Lebanon: an anomalous conflict?

Now in its eleventh year, the war in Lebanon lingers on. Violence in that country goes through phases, sometimes surging for internal political reasons, sometimes as a reaction to regional or international developments, and almost always for a combination of both. For eleven years, academic analysts, the international press and even the Lebanese themselves have wavered in analysing the conflict. At times they called it a civil war, at others an international conflict pitting nation-state against nation-state. At the height of frustration, some referred to it as a superpower conspiracy aimed at undermining the stability of a peaceful but weak regime for the sake of political expediency. Even the nature of this expediency changed to fit the mood of the times. Thus, securing oil flow, the Camp David process, the wider issues of the Arab-Israeli conflict, or numerous other reasons were invoked at various times by such conspiracy-believers to explain Lebanon's torments when no other explanation was readily available.

But if there is a commonly held view of Lebanon's conflict, it is its oddity; its inability to resolve itself or indeed, the inability of mighty powers, near and far to resolve it. As a result of its unyielding nature and complexity, with a web of interlocking regional and international pressures, the Lebanese war has been increasingly dubbed as an anomalous conflict.

In fact, Lebanon's Protracted Social Conflict (PSC) is not at all an anomaly.¹ It is precisely because of its complexity, its ever-growing tendency of co-opting and internalising regional conflicts that Lebanese and others, unable to develop a coherent rationale behind the Lebanese war, have relegated it to those few, obscure, and seemingly interminable conflicts of our age.

¹ For an overall discussion of protracted social conflicts, see Edward E. Azar and Stephen Cohen, 'Peace as crisis and war as status-quo: the Arab-Israeli war environment', *International Interactions*, 6(2) 1979, pp. 159-84, and Edward E. Azar and Nadia Farah, 'The structure of inequalities and protracted social conflicts: a theoretical framework', *International Interactions*, 7(4) 1981, pp. 317-35.

As a multi-communal/developing society, Lebanon falls into a large category of emerging states that exhibit the pressures and conflicts of nation-state building. Since independence, the nation-state has been in direct competition with its antecedent, the identity group, for the loyalty of the individual. While the state did not succeed in winning the loyalty of its multiple communities, a delicate equilibrium developed between the two. When this equilibrium was maintained, as it was in Lebanon for about thirty years (with one interruption in 1958), PSC remained in its latent stage. When the equilibrium was shattered and the state weakened, the dormant inter-communal grievances, competition and hostility forged forward violently.

This paper seeks to describe the PSC of Lebanon and its implications for conflict management. It will attempt to assess the relationship between the individual and the community, and between the community and the state, and will focus on this specific relationship in order to assess the prospects of conflict management in Lebanon.

Communal identity

In the industrialised world, societies developed with class as the differentiating component within them. Indeed, class awareness appears more useful than religion, ethnicity or race in describing the role of the individual in society.

In developing, multi-communal societies, although discrepancies in wealth distribution are much more acute than in the West, class is not a very informative indicator of conflict. Cleavages based on racial, religious, ethnic or other differences are more predominant. They play an overriding role in the behaviour of the individual in society. Class dynamics, which it was once believed would homogenise developing societies by cutting across horizontal boundaries, simply lost out in their struggle with the more ascriptive and primordial nature of sub-nation-states.

In Lebanon, class participation is flexible. One may be born into a particular socio-economic class and move up or down. Particularistic affiliation, on the other hand, is rigid and ascriptive. An individual who is born in a group will find it highly difficult, if not impossible, to move out of the group while still belonging to the society. Thus, one is born Arab, Druze, Shiite, Sephardic or Circassian and cannot opt out of the group with the same ease as one may marry into the upper class and, by so doing, espouse a different socio-economic class.

More than any other, it is this basic difference between industrialised and developing societies that has misled scholars and analysts on both sides. When interacting with developing societies, the West has consistently treated emerging nations as though they were cohesive states, or on their way to cohesion. They have assumed an often non-existent unity and sense of common destiny.

These states in the developing world were in fact Western creations. As a result of the European scramble for overseas territories, and to better control their colonies, Western powers gerrymandered these states and instituted permanent deformities in their societies, which, by the latter half of the twentieth century, had become irreversible. Not only had boundaries truncated nations and tribes, but they had also forcibly brought together groups with little in common under a single administration.

Since their independence and to this day, many of these states have been experimenting with borrowed forms of government. If England, France or the United States were such mighty and modern powers, they argued, surely their types of government had something to do with it? Further encouraging Western-style government was the development, by the colonial powers, of infrastructures patterned after their own.

These experiments are proving to be failures. About sixty countries in the world today are testimonials to the incompatibility of alien forms of governments in developing societies. More important still, they are questioning the validity of the unitary, statist approach to the developing world.

Identity-driven protracted social conflict

Protracted social conflicts flourish in Lebanon and other multi-communal societies in the world because these newborn states have failed in their nation-state-building efforts. These countries have not been able to generate the internal consensus needed to develop the stabilising structures and processes.²

In multi-communal, underdeveloped societies, conflicts emerge, for example, when the behaviour of the state is perceived to be dominated by a particular group or community within it, when communities feel threatened with marginalisation, or when no recourse for redressing

² For a good survey of this issue, see Walker Connor, 'Nation-building or nation-destroying', *World Politics*, 24(3) 1972, pp 319-55.

grievances exist. In deformed situations like this, identity becomes salient and acts as a motor for action and resistance against present and potential threats of discrimination. Communal identity needs, therefore, are powerful motivators for war and peace. How these needs are satisfied or repressed determines much of the history of these societies.

In general, identity-driven conflicts, such as that in Lebanon, occur to redress grievances and fears generated from several different sources in a specific political, social, and economic setting. They are pursued by means ranging from verbal and collective disobedience to violent and open warfare. Because identity needs are so fundamental to so many other needs, values, and interests, and because they epitomise the whole cluster of injustices within a socio-political system, they are powerful explanatory variables. The reality of identity needs is basic to an understanding of the nature of violent behaviour in many parts of the globe, including Lebanon.³

Unfortunately for those who suffer from them, identity-driven conflicts are obstinate and do not lend themselves to traditional forms of settlement. Furthermore, contemporary international institutions and the world system are not tailored to deal with these conflicts.

The United Nations, for example, like most regional organisations patterned after it, clearly limits its jurisdiction to inter-state conflicts. Article 2, chapter 7 of the UN Charter states that 'nothing contained in the present Charter shall authorise the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state.'

Identity-driven conflicts are threatening in several different ways: they are difficult to resolve because they linger on and do not present any easily detectable termination points; they appear to become dormant at times and then burst into open warfare at other times; they become triggers for other destabilising actions within and across political boundaries, and break out into open violence depending upon the internal or external triggers available.

These conflicts involve all segments of a society and not merely its ruling elites, thus making it possible for the conflict to manifest itself in every aspect of social life. In acute cases, every action, every statement,

³ For the needs approach to conflict, see John W Burton, *Deviance, Terrorism and War*, Oxford Martin Robertson, 1979 and *Global Conflict: The Domestic Sources of International Crisis*, Brighton, UK: Wheatsheaf, 1984. See also Abraham H Maslow, *Motivation and Personality*, New York: Harpers, 1954.

and every institution acquires value and meaning in relation to the conflict itself.

In Lebanon, for example, the conflict itself has become the *sine qua non* of loyalty, authenticity, personal dedication, and the ideological purity of individuals. Policies and behaviour are judged more by their service to the immediate goals of the conflict than to long-term and more complex national needs. In Lebanon, conflict is a full-time concern, overshadowing many other societal, communal, and individual interests. It has frustrated intra-communal opportunities for social and political alliances.

Protracted conflicts, like the one in Lebanon, immobilise people and institutions. They retard the system, and invite repression and exploitation of the economic and political resources available by those who favour the status quo.

These protracted conflicts challenge not only domestic institutions, but also regional and international ones. They provide fertile soil for outside intervention by friends, allies and other interested parties, and they precipitate crises and large-scale wars.

The protracted Lebanese conflict has continued to favour intercommunal equality of opportunity and integration within the social, economic, and political environment, rather than individual or class equality or power. Whether this will continue despite the failure of almost all of Lebanon's communities to achieve their goals has yet to be demonstrated.

Helplessness and the disincentives for conflict resolution

Protracted social conflicts feed on the paralysis and sense of helplessness that all participants acquire. They provide the environment for engaging in actions of self-entrapment and they block all opportunities for creative peaceful change. Seligman has discovered that at the micro-level individuals in pervasive conflict situations display a great deal of depression and 'learned helplessness'.⁴ In these cases severely depressed individuals will effectively load the dice against themselves by perceiving their chances of succeeding at a task as low, even before beginning it. Their depression is seen as a learned state, previous experience having taught the individual to believe that the ability to alter his life lies in *external agencies* rather than within himself.

⁴ M Seligman, *Helplessness: On Depression, Development and Death*, San Francisco: Freeman, 1975.

In protracted social conflict situations, individuals and communities become so frustrated and depressed that at times they stop trying to alter the situation. They conclude that all attempts at change are doomed to failure. This state of affairs encourages dependency on external parties rather than on one's own abilities and resources. In protracted conflicts dependency on external parties and allies is a constant. No matter how frequent or how intense are the shifts in frustration and threat, parties to identity-driven protracted conflicts continue to seek external support to create situations they consider favourable to their own communities and groups.

Dependency in PSC situations become a drug; change, and even the hope of a better future, are looked upon with disbelief, and the complex web of psychological motivations for remaining in conflict are more cogent than the difficulties and costs of failing an attempt to move beyond it.

Such comparisons between political and interpersonal problems must be drawn cautiously, as it is far too easy to see a society as being psychologically disabled through its involvement in a conflict. Habermas points out that 'mental conflicts that are repoliticised as protest can be shunted aside, made into problems that can be administratively healed and institutionalised'.⁵ Rather than confronting the issue, it is assimilated into the myth of the conflict. Such comparisons do, however, illuminate some of the psychological processes that can slow down the resolution of protracted social conflicts.

Fear and dependency on external actors in the Lebanese conflict

Protracted social conflicts are rooted in fear of marginalisation. When they occur in countries like Lebanon, which are made up of minorities and where no single community is able to dominate the others or is willing to be absorbed or to melt away, then fear leads to one strategy: dependency on external forces—groups, communities, and countries. This phenomenon of dependency on external support represents a community's approach to strengthening itself, redressing potential liquidation, or establishing hegemony over others. Unfortunately, dependency on external support becomes an addiction that perpetuates the conflict. Lebanon, Cyprus, and Northern Ireland are typical of this

⁵ Jurgen Habermas, *Theory and Practice*, Toronto: Beacon Press, 1973, p 42.

more general situation. Furthermore, would-be backers enter into relationships with Lebanese groups with their own agenda, and are therefore rarely reliable. They react to a different stimulus, usually regional and international, and cannot be expected to provide the components of long-term security which identity groups are seeking.

After eleven years of jockeying for the attention and support of a myriad of would-be backers, the Lebanese have collectively exhausted the options. Every community has tried a marriage of convenience with external and internal groups. Without exception, every Lebanese group has been disappointed with the outcome. Crisis and abandonment has been experienced by every Lebanese community. Groups, communities, and countries have come to help Lebanon, but unfortunately on their own terms and with their own agendas.

The cycle of fear and dependence manifests itself as a complex web of psychological components between groups in general, and also in their relationships to the conflict itself. This web locks the groups into the conflict which, in turn, begins to have functional significance for the groups. Henry Tajfel indicates that a protracted conflict becomes part of the culture, and the fact that it is 'protracted' becomes part of that society's mythology.⁶ The conflict becomes seemingly insoluble. With the passage of time, its complexities increase as do the functions it has for each of the groups' identities. Within the larger framework of myth and its functions for groups, one can see the psychological effect of protracted social conflict.

Fear manifests itself most strongly as a fear of *marginalisation*; of isolating oneself or one's group and thereby risking assimilation or destruction of that group. When marginalised members and groups are isolated from the conflict, they become stereotyped, possibly *scapegoated* or *victimised*. Isolated groups in such a precarious situation cannot become a party to the resolution of conflict for fear of losing whatever minimal gains they may have made.

Negative signals received from out-groups are exaggerated and even positive signals are seen in a negative light in order to protect one's group identity. Sheriff's experiments show that group identity, the desire to be distinct from other groups, enhances competition among peer groups. Isolation from the 'other' enhances one's group identity.⁷

⁶ Henri Tajfel, *Human Groups and Social Categories: Studies in Social Psychology*, Cambridge: Cambridge University Press, 1981.

⁷ Muzafer Sheriff, *Intergroup Conflict and Cooperation: The Robbers Cave Experiment*, Norman, Oklahoma: University of Oklahoma, 1961.

These fears of marginalisation and extinction lock one into a dependent relationship with the conflict. Any change contains the threatening possibility that one's position may weaken, leading to a lessening of one's status and rejection of one's identity. It was only by introducing the idea of superordinate goals in Sheriff's experiment that the level of in-group cohesion and out-group hostility could gradually be dispelled.

The major substantive grievances of Lebanon's conflicting communities

With seventeen officially recognised communities, Lebanon is a good example of a highly fragmented society experiencing PSC.⁸

Tensions between community and state Nation-state building has traditionally followed a dual path in Lebanon. The individual has turned to his identity group to satisfy his sentimental needs. He reaffirmed his identity by actively participating in community related activities. To satisfy his instrumental needs, however, the individual turned to the state. The state fulfilled those duties such as road-building, electrification, public education, etc.

When this system worked, and indeed in Lebanon it did for about thirty years, both sentimental and instrumental needs were being fairly satisfied. When, by imposing itself, the state attempted to sublimate, negate, or ignore sentimental needs of particular groups, or when it unfairly distributed instrumental rewards at the expense of one or more communities, the tacit equilibrium between state and community broke down, and the conflict shifted to a violent phase.⁹

Christian fears and grievances The Christians, and especially the Maronites, consider themselves the founders of the Lebanese Republic. Indeed, thanks in part to their long relationship with France, they championed the cause of an independent state, and rose to a

⁸ For a good overview of Lebanese conflict, see Edward E. Azar (ed), *Lebanon and the World in the 1980s*, College Park, MD: University of Maryland Press, 1983, Edward E. Azar et al., *The Emergence of A New Lebanon*, New York: Praeger, 1984, and Kamal S. Salibi, *Cross Road to Civil War: Lebanon 1958-1976*, New York: Caravan, 1976.

⁹ The hegemonic tendencies of the Lebanese communities have been relatively well documented. On Christian hegemony, consult Jonathan C. Randall, *Going All the Way: Christian Warlords, Israeli Adventures, and the War in Lebanon*, New York: Viking Press, 1983. On Muslim and Druze, see Jean-Pierre Peroncel-Hugoz, *Une Croix Sur Le Liban*, Paris: Lieu Commun, 1984 and *Le Radeau de Mahomet*, Paris: Lieu Commun, 1983.

predominant position within it, mainly for lack of nationalist support from other communities for Lebanon.

When other communities endorsed the idea of an independent Lebanon (between 1920 and 1943), the Christian, or at least the non-Muslim nature of Lebanon was a reality. Most of the governmental institutions were developed and controlled by Maronites. Their privileged position in the affairs of state was further reinforced by the demographic distribution of the day. A census carried out in 1932 showed the Christians, and the Maronites among them, to be slightly more numerous than the Muslims and Druze.

The National Pact of 1943, negotiated and implemented between the then two main groups of Lebanon, institutionalised power distribution according to religious affiliation. The President was to be a Christian Maronite, the Prime Minister a Sunni Muslim, the Speaker of Parliament a Shiite Muslim, the deputy speaker a Greek Orthodox Christian, and the Army Chief-of-Staff a Druze. Parliament was to represent a six-to-five, Christian-Muslim ratio, as were portfolios in the cabinet and in the bureaucracy.

Muslim fears and grievances With the changing demographic realities in Lebanon, and spread in education and sectarian awareness, two groups began to question the validity of the National Pact of 1943. The rigidity of the Pact caused increasing friction between the disgruntled communities and the state. The Shiites, whose numbers had increased faster than the Sunnis, demanded increased political participation to reflect their numerical strength. Their demands for better and larger political representation were stimulated for two reasons: first, Shiite regions (mainly South Lebanon and the Bekaa valley) had been left largely underdeveloped, whereas Maronite and Sunni areas had benefited from substantial economic growth and development and, secondly, the central government proved to be impotent in the face of the increasing PLO dominance of South Lebanon (from where it launched operations against Israel), and increasingly bloody Israeli retaliatory raids.

Shiite migration to Beirut (for both above-mentioned reasons) lent weight to Shiite demands. Anti-government demonstrations were common in the 1970s, often provoked by regional developments (such as the death of Nasser, Israeli commando operations in Lebanon, etc.) but inevitably ending up with governmental reforms and 'secularisation', the battle-cry for scrapping the Pact of 1943.

The Druze were the other disgruntled minority. Unlike the Shiites, the Druze are a small minority in Lebanon, forming perhaps only 8 per cent of the total population. As a numerically less significant group, the Pact of 1943 permanently blocked the Druze from holding top governmental positions. The demands of this group, then, were not rooted in demography. Rather, the Druze argued that since they had historically played an important role in the history of Mount Lebanon (an autonomous province of the Ottoman Empire, now part of the Republic of Lebanon), they could not accept to be relegated to a secondary, and largely insignificant role.

There were two, separate issues, then. One lay in the past. It called for a redistribution of power to reflect past realities. The other lay in the present and called for the abolition of the Pact of 1943 to make up for a presumably long-lost Christian majority. The Maronites, they argued, were no longer the largest group in Lebanon, and the Christians as a whole had become a minority within the country.

The validity of this assertion was never tested. No comprehensive census was carried out after 1932, for fear of proving what had been feared all along, namely that a high Christian emigration rate, compounded by a higher birth rate for Muslims, had turned the Christians into a minority. In any case, whether the claim was true or not is irrelevant; the perception was there, and it acted as a stimulus for increased opposition to the Pact.

The Christians reacted by justifying their pre-eminent position not on demographic strength, but on fear. Fear of absorption, fear of forced conversion, fear of oppression and domination compelled the Maronites to seek long-term measures of protection for their community. They argued that, of all Arab countries, only in Lebanon did Christians have a voice in the political affairs of the state. Indeed, Christians in Egypt, like those in Syria, Iraq, and Jordan, to name a few, were not equal citizens before the law, were subject to unpredictable cycles of persecution, and were politically marginalised as communities.

Regional and international intervention Academic, governmental and media analysts have greatly enriched the study of regional and international interventionism in Lebanon.¹⁰ This topic cannot be done justice in just a few pages. However, we will briefly identify some

¹⁰ For the dynamics of regional intervention, consult Itamar Rabinovich, *The War for Lebanon*, Ithaca, New York: Cornell University Press, 1984; Ze'ef Schiff and Ya'ari Ehud, *Israeli's Lebanon War*, New York: Simon and Schuster, 1984.

threshold events for the benefit of those readers who would want to research them in greater detail.

Regional interventionism has undoubtedly compounded the political, economic and sociological deformities in the Lebanese system. It has also reinforced the predisposition, among the various groups, to recruit outsiders and to ally themselves with them in order to alter the socio-political map of the country. We have identified two categories of foreign interventionism which differ in stated goal and means.

The *first* category, which we call *strategic interventionism*, includes Syria, Israel and the PLO, which had shifted the Arab-Israeli conflict into Lebanon in the early 1970s. The ability of these actors to influence the internal political scene has fluctuated between them, depending largely on factors dictated outside of Lebanon.

The PLO's influence was at its peak prior to the official Syrian intervention in 1976. It surged once again during the two years prior to the Israeli invasion of 1982. The Syrian influence in Lebanon stemmed in large part from its occupation of much of the country from 1976 onward. It suffered a temporary setback as a result of the Israeli invasion of 1982, which, for about two years, allowed Israel unprecedented influence inside Lebanon at the expense of Syria, the PLO and, of course, the Lebanese themselves.

The PLO's influence has become marginalised in Lebanon; Israel has drastically scaled down its goals. It has now retrenched to a narrow 'security belt' in southern Lebanon, while Syria has re-emerged as the dominant foreign power in the country.

More than any other, the role played by these three external actors has had the most devastating and long-term effect on the domestic structure. By virtue of their geographical proximity, Israel and Syria had a unique role in Lebanon. The same can be said of the PLO which, although a foreign actor, developed and operated parallel national institutions within the country. These three actors enjoyed a *de facto* legitimacy. Their policies within Lebanon were justified primarily in terms of security. Thus, Israeli, Syrian or Palestinian policies reflected above all a strategic posture with serious implications for the welfare of the respective regimes. Their intervention, legitimised in great part by alliances with various Lebanese groups, empowered them to carry out a penetration on the sociological level, with long-term implications.

The *second* category, which we call *tactical interventionism*, includes France, the United States, Libya and Iran, whose interventions,

although no less benign, have not commanded enduring influence in domestic Lebanese affairs. Being removed from the area of conflict, they have tended to rely on ideological concepts to justify their interventions. Libya, for example, supported the Nasserite and other Islamic groups in the name of pan-Arabism; Iran supported (and continues to support) Shiite groups in the name of Islam; the United States, and to a lesser extent France supported the status quo under President Gemayel in the name of legitimacy.

The tactical interventionists were not primarily concerned with Lebanon. They were either dragged in (witness the Multi-National Forces), or used Lebanon as a tool of diplomacy. In the latter case, Iranian and Libyan intervention served to enhance the domestic legitimacy of these regimes, and may have offered them some marginal bargaining benefits.

The strategic interventionists, in seeking long-term influence, sought to destroy, or at least control Lebanese institutions. Moreover, to ensure control over the communities, they not only abetted inter-group conflict, but also fuelled intra-group rivalries. This form of intervention has had disastrous consequences in Lebanon, with its pervasive influence in national institutions such as education, church, and mosque. In so doing, it has left behind a legacy that has further dimmed the prospects for internal reconciliation.

Management of the Lebanese conflict

PSC is a permanent feature of multi-commune societies. The question is not, then, how to *resolve* the conflict, but how to manage it positively, so as to pre-empt the breakdown of the equilibrium, and to funnel the pressures, the passions and the energies of the conflict to a positive end. PSC is not a phenomenon that can be resolved in the short term. It is too deeply entrenched in the geopolitical realities of today's world, and no institutions can do away with either the state or the community.

It has become axiomatic worldwide that the heart of the matter in Lebanon is the shift in power sharing. In that sense, the situation in Lebanon now is similar to that of Cyprus before the invasion by Turkey and to other cases such as Northern Ireland, Sri Lanka, Sudan, Canada—a good mix of Third World and developed countries. The present situation reflects demographic, cultural, and balance-of-power considerations in Lebanon and its region.

Focusing on the requirements for long-term stability of Lebanon amidst social, demographic and cultural upheavals in the region, the

integrity and independence of Lebanon and power-sharing reforms have to be the focal points of any negotiations and discussions among the Lebanese themselves.

To manage the Lebanese conflict and help the country move from war to peace, one needs to identify a set of principles upon which a framework can be devised.

We present here a set of principles derived from our research in comparative conflict resolution, and based on two workshops held at the Center for International Development and Conflict Management, University of Maryland at College Park, to which Lebanese official representatives of the major religious communities were invited for a period of four days each.¹¹ These groups agreed as follows:

- 1) The highest shared value among Lebanon's communities is the preservation and development of the state of Lebanon. There can be no room for balkanisation or incorporation of any part of Lebanon into another state.
- 2) Lebanon, a meeting place of Christianity and Islam, has a unique role in ameliorating tensions between West and East. Economic and press freedom give Lebanon advantages and turn it into a safety valve for regional problems.
- 3) Inter-communal solidarity and harmony can be increased through power-sharing, decentralisation and appropriate institution-building. Lebanon has to ameliorate the stresses and strains between state and community. Short of coming to grips with this problem, protracted social conflict will continue to escalate to fragment the state beyond repair.

The Lebanese ruling elites have to solve the problem of local participation by individuals and communities in regional government, particularly with respect to such issues as social services, education, and family law. Lebanon can be united without being centralised. Actual and perceived powersharing is enhanced by decentralisation.

- 4) Stabilising Lebanon requires a transition period during which communities engage in confidence-building and tension-reducing activities. Lebanon needs a transition period to build bridges, reduce the level of fear and enhance cooperative interaction

¹¹ For the detailed discussion of this meeting, see Edward F. Azar, 'The Lebanese Case', in *International Conflict Resolution*, Edward Azar and John Burton (eds), Sussex: Wheatsheaf, 1986, pp 126-40.

among communities. More than eleven years of building cleavages will not be easy to do away with.

- 5) There is no way to bring peace to Lebanon without massive reconstruction and development. In many cases around the world, security, freedom of movement and expression, communal identity and distributive justice have helped strengthen the process of nation-building and peacemaking. Lebanon, therefore, cannot have peace without a major reconstruction programme that promises hope to those who have lost it due to the war and the times that preceded it.
- 6) On the regional level, Lebanon can do certain things and hope that its neighbours and friends can support its efforts to end this bloody war. As an Arab League member and as a weak buffer between Israel and Syria, it must take pragmatic steps to protect its interests. Lebanon cannot alienate either side by allowing its territory to be used against its neighbours. Lebanon must be a close friend of Syria and a mediator and consensus builder in the Arab world.

We feel that these values and ideas are sound analytically and empirically. In studies on the transition from war to peace in other similar cases, we have found that conflict management and ultimate resolution depend on finding solutions to these three basic clusters of concerns:

- Security (physical and economic)
- Acceptance of communal pluralism (recognition and acceptance of multi-communalism is psychologically necessary and instrumental)
- Legitimate institutions and desired interactions (as a form of political early warning to predict and correct conflict generating activities and policies)

Any plan to deal with Lebanon's protracted social conflict will have to incorporate these concerns. However, without active and essentially unbiased third party facilitators, it is going to be very difficult for the Lebanese to move as suggested here. It is not clear at all that this approach is in operation now.

The Israeli occupation of South Lebanon

... we should prepare to go over to the offensive with the aim of smashing Lebanon, Transjordan and Syria ... The weak point of the Arab coalition is Lebanon [for] the Moslem regime is artificial and easy to undermine. A Christian state should be established, with its southern border on the Litani river. We will make an alliance with it.¹

David Ben-Gurion, May 1948

We have to establish a buffer zone in Lebanon as it is clear that the Lebanese government will do nothing to stop terrorism. The establishment of such a zone will obviously mean the annexation of part of Lebanese territory.²

Ariel Sharon, December 1981

This article sets out to characterise the nature of the Israeli occupation of South Lebanon, and to show the ways in which it afflicted, and continues to afflict, the lives of ordinary Lebanese and Palestinians. For it must be borne in mind that Israel still maintains up to a thousand 'military advisers' to direct and support Antoine Lahad's South Lebanon Army (SLA) in the 12 kilometre buffer zone. It is not within the scope of this article to investigate why the Israelis invaded Lebanon in 1982, or what they thought they were achieving during the occupation that followed. An analysis of Zionist plans for Lebanon is a treatise in itself—Ben-Gurion's strategy is by no means the earliest.³ Nor was the 1982 invasion Israel's first military incursion into Lebanon. The motives and military-political logistics of the Israeli invasion have been adequately covered elsewhere.⁴

The first phase

Apologists for Israel's invasion have made much of the way in which Israeli troops were hailed as liberators by local Shiite Lebanese and

¹ David Ben-Gurion to his General Staff, quoted in Noam Chomsky, *The Fateful Triangle—the United States, Israel and the Palestinians*, London: Pluto Press 1983, pp 162–3.

² Quoted in Michael Jansen, *The Battle for Beirut—Why Israel invaded Lebanon*, London: Zed Press 1982, pp 120–1.

³ *Ibid.*, p 119.

⁴ In addition to the two books quoted above, see also Ze'ev Schiff and Ehud Ya'ari, *Israel's Lebanon War*, London: George Allen & Unwin 1985.

showered with rice and flowers. Yet within four months of the ending of the siege of Beirut, resistance attacks by these same Lebanese had begun in earnest against the occupying army. Part of the reason for this was that the 'short operation to root out Palestinian terrorism' on Israel's northern border had already begun to take on a disturbing mien of permanence. Even while the war was still in progress in June 1982, leaflets were dropped in Tyre and Sidon asking residents to report to the local Israeli administrative centres for new identification papers.⁵ At the same time as declaring itself technically not at war with the Lebanese state, in the first weeks of the war Israel had bypassed the Lebanese administration and appointed military governors to all of the main towns in the South. By early 1983 a 27-page questionnaire had been circulated to all village heads in the South, which asked the names, ages, occupation, religious/political affiliation of every inhabitant of the village, including questions about relatives living abroad.⁶ If the village heads had produced such data, the Israelis would have known far more about the citizens of South Lebanon than the Lebanese government has ever known. To consolidate their bureaucratic hold on the South, the Israelis undertook extensive road-building works, started a postal service between the South and Israel, and connected Lebanese telephones near the Israeli border into the Israeli system.

Just as ominous for the South Lebanese were the trade links that were forged in an attempt to integrate South Lebanon into the Israel economy. During the withdrawal negotiations between Israel and Lebanon, Israel's chief negotiator, David Kimche, held out for the free movement of goods and individuals between the two countries declaring that 'the aim behind the movements of goods is not economic advantage, but to symbolise the hoped for new relationship.'⁷ The problem with the new relationship was that the flow of advantage was mostly one way. The Israeli newspaper *Ha'aretz* of 21 February 1983 reported that ten tons of strawberries were passing from Israel to Lebanon on a daily basis. The same article goes on to record the Israel Fruit Council's estimate that over 2,000 tons of fruit, including grapes, mangoes and apricots, had been exported to South Lebanon since the

⁵ Robert Fisk, *The Times* (London), 19 June 1982.

⁶ *Lebanon—Towards Legal Order and Respect for Human Rights*, a report of the Advisory Committee on Human Rights in Lebanon, American Friends Service Program, 10 August 1983, p. 30.

⁷ Ignacio Klich, 'Assault on Lebanon's economy', *Middle East International*, 13 May 1983.

eginning of the war.⁸ Estimates gathered from Israeli press reports posit a figure of \$100 millions-worth of exports from Israel to Lebanon in the first year of the war.⁹ The Southern Lebanese markets were flooded with Israeli goods right up to the withdrawal of the army from Il but the buffer zone in early June 1985—some fruit and vegetable stalls did not even bother to conceal plastic bags with their Hebrew lettering. Not only did the subsidised imports seriously undercut the more expensive, locally grown products, but Lebanese exports were ruined when Arab countries started imposing bans on Lebanese produce for fear of importing Israeli goods.

Israeli plans for the South were by no means just bureaucratic and economic, but affected the very demographic structure. Although it is important to point out how the exactions of the occupation affected Lebanese and Palestinian alike, it is also fair to note the special role that the Palestinians had in Israeli demonology, and the concomitant attention which was meted out to them in the first flush of the occupation. The blanket bombing of 'Ain al-Hilweh refugee camp in Sidon during the first days of the war reduced the camp substantially to rubble, leaving 40,000 Palestinians homeless. On top of the destruction resulting from the invasion, houses were systematically bulldozed and blown up long after the fighting had ceased.¹⁰ A report from UNRWA, the United Nations organisation in charge of Palestinian refugees' welfare, described the camp of 'Ain al-Hilweh as totally destroyed, that of Rashidiyyah as 20 per cent destroyed, Borj al-Shemali 35 per cent destroyed and al-Bass 50 per cent destroyed. The thorough levelling of the camps, added to right-wing Israeli ministers' expressed wish to drive the Palestinians out of South Lebanon altogether,¹¹ led the Palestinians to believe that the very least they could expect was the breaking up of the camps as entities, and the severe reduction of their numbers in Lebanon as a whole.¹² Initially, the Israelis even prevented the distribution of tents to homeless refugees,¹³ and it was not until 14 October 1982, after much international protest, that the Palestinians were able to rebuild substantial shelters. By the winter, 60,000 people were still homeless.

Translations from the Hebrew press are taken from *The Israeli Mirror* (London), a bi-weekly journal which translates sections of the Hebrew press; all translations are by Elfi Pallis.

Klich, 'Assault', *op. cit.*

Schiff and Ya'ari, *op. cit.*, p 240.

Ibid.

This fear has resurfaced after the pitched battles between Amal and the Beirut Palestinian camps of June 1985 and 1986.

Lebanon—Towards Legal Order . . . , op. cit., p 18

Along with the smashing of the PLO's military structure in the South came the destruction of the PLO's medical and welfare services. Over five-hundred staff had been operating nine hospitals and eight clinics, which serviced Lebanese and Palestinians alike. UNRWA schools were destroyed, as were the social services and public health facilities of the PLO and Palestinian Red Crescent Society. For all its faults, PLO control in the South had also generated wealth through the influx of millions of Arab dollars; the invasion shattered this local economy, and as the occupation tightened, many families with relatives living abroad were cut off from remittances and left in a state of near destitution.

Heralding a new order in Lebanon, the Israelis often utilised old enmities to bring it about. Immediately after the invasion, Saad Haddad's militia, set up by the Israelis in 1978, was allowed to extend its influence up to the Awali river north of Sidon. With a number of instances of indiscriminate shelling of civilian centres and allegations of a massacre perpetrated at Khiam, Haddad had hardly endeared himself to Lebanese or Palestinians. On the coat-tails of the Israeli army came the Lebanese Forces, the military arm of the right-wing Maronite Phalange party. These were allowed to operate from areas east of Sidon, where they had never before had a presence. One of their first acts was to level the upper part of the Mieh Mieh Palestinian refugee camp on 7 August 1982, thus giving practical expression to their historic hatred of Palestinians. Over one thousand Palestinians were made homeless, and an atmosphere of intimidation against Palestinian civilians was to continue right up to the April 1985 war in Sidon, when the Lebanese Forces were finally obliged to leave the Sidon area.

Reports from relief workers in South Lebanon note the campaign of terror waged against the Palestinians from the late summer of 1982 right through to the following year. Leaflets were distributed by the extremist Christian group, the Guardians of the Cedars, claiming that even civilian Palestinians were a danger to Lebanon. Better-off Palestinians living in the suburbs of Qay'a, Hillaliyah and 'Abra were forced out of their homes by masked men issuing death threats. Palestinian shops and businesses were bombed, and a number of Palestinians were assassinated when they dared stray outside the relative safety of 'Ain al-Hilweh refugee camp.¹⁴ In February 1983, in an uncharacteristically direct statement for the International Red Cross, the outgoing head

¹⁴ International Centre for Information on Palestinian and Lebanese Prisoners, Deportees and Missing Persons, Centre International d'Information sur le Droit Humanitaire, Paris, *Newsletter* No 7, 1 April-18 May, 1983.

delegate for the organisation squarely laid the blame for this intimidation on the shoulders of the Israelis: 'Nothing can happen in Sidon without the agreement of the Israelis, who have done nothing to halt this process of intimidation, thereby violating the 4th Geneva convention that requires the Occupying Power to protect the civilian population.'¹⁵

Alongside the extension of influence of Haddad's militia and the introduction of the Lebanese Forces to areas east of Sidon, the Israelis set up and armed a number of 'National Guards' in Sidon, Nabatiyyah and Tyre, as well as offering arms to Lebanese villages 'for their own protection'. The Israelis were able to recruit from a number of different sources. Hussein 'Akar, who held sway in the tenements of the T'ameer area of Sidon, bordering 'Ain al-Hilweh camp, was a Lebanese mercenary who had previously worked for one of the groups within the PLO. He was prepared to throw his lot in with anyone ready to arm him and allow him to continue his extortion and protection rackets. 'Abu Arida', who dominated old Sidon with a band of teenagers, was originally arrested and held in Ansar; release was granted provided he cooperate with the Israeli military authorities. The network of spies and collaborators brought numerous assassinations and inter-community strife for months after the Israelis had withdrawn from the bulk of the South, as old scores were settled and guilt by association was enough to condemn innocent and culpable alike.

One strategy of Israeli control, then, was the creation of armed local militia groups, as well as the exacerbation of historical enmities; the Lebanese Forces were allowed to harass the Palestinians in Sidon, and Haddad was permitted to brutalise both Lebanese and Palestinian communities, to levy taxes¹⁶ and to assume the role of the legitimate Lebanese authorities.

Ansar and other detention centres

Despite the fact that Ansar prison camp is now no more than a pile of rubble, it lives on in the memories of at least half the male population of South Lebanon, who passed through it at one stage or another. More than any other reason, Ansar is given as the driving force behind the resistance in the South. It became the university of the resistance movement and a symbol of its determination.

¹⁵ *Lebanon—Towards Legal Order* . . . , *op. cit.*, p 20.

¹⁶ *The Times* (London), 16 June 1983.

It is well documented that the majority of prisoners were not taken during the combat in the first days of the invasion, but in wide sweeps carried out by the Israeli Defence Forces (IDF) of towns, streets and refugee camps in the aftermath of the war. Thousands of males between the ages of 14 and 60 were herded on to Sidon's beaches and were picked out by hooded informers for their alleged participation in Palestinian guerrilla groups.¹⁷ Testimonies of the brutality of the IDF towards the prisoners, and reports of prisoners beaten to death in custody in places like the Safa fruit factory in Sidon are also well recorded.¹⁸

In the first period after the war, Ansar was only one of a number of detention centres used to contain these prisoners, and the 39th session of the UN Commission on Human Rights states 'with reasonable certainty' that prisoners were even being held in Israel and the West Bank, which is in direct contravention of Article 49 of the 4th Geneva Convention forbidding the transfer of prisoners away from their country of capture. Nor was this the last time that Israel effected the mass transfer of prisoners; after the final closure of Ansar in April 1985, more than a thousand Lebanese and Palestinian prisoners were bussed to Israeli's Atlit prison.

Throughout Ansar's history, conditions of detention caused an international outcry. The camp was insanitary, overcrowded and lacked sufficient space for recreation facilities or for personal hygiene. By the summer of 1983 press reports recorded twenty-one deaths; at least six of those who died had been shot by prison guards.¹⁹ Conditions in the camp were a cause for concern for members of the Knesset as well as for the international community. Knesset member Amnon Rubenstein described the conditions in Ansar as intolerable and said that they were a stain on Israel's reputation.²⁰ The prisoners were not granted prisoner-of-war status by Israel, nor were they allowed any right of appeal against their detention, except to a panel of Israeli military officers. One year after the invasion Israel had released 4,000 detainees,²¹ but the numbers were constantly being topped up by new arrests of Lebanese and Palestinians suspected of resistance activities or for refusal to cooperate with the Israeli authorities. There were constant protests from prisoners about the poor conditions, as well as strikes and demonstrations in villages and towns in the South as a whole.

¹⁷ *Sunday Times* (London), 18 July 1982.

¹⁸ Chomsky, *op. cit.*, p 229.

¹⁹ *Lebanon—Towards Legal Order* . . . , *op. cit.*, p 25.

²⁰ *Ha'aretz* (Tel Aviv) 6 December 1982.

²¹ *Lebanon—Towards Legal Order* . . . , *op. cit.*, p 23.

By the summer of 1983, when resistance operations against the IDF were in full swing, Israeli tactics of blockading southern Lebanese villages, rounding up all the men between the ages of 14 and 60, and making mass arrests were well established. For example, *Le Monde* of 10 May 1983 records that 3,000 Israeli soldiers surrounded the village of Qaraoun and herded all the males together into the sports stadium, randomly arresting and taking away sixty-three of them. An Israeli officer announced that this was going to happen every week—an accurate prediction. Israeli arrests of civilians were not always random—*Le Monde* and the *International Herald Tribune* of 3 June 1983 record the arrest of 250 Palestinians and Lebanese from the professional classes, which was seen as an attempt to paralyse economic activity as well as encourage the exodus of other professionals from the South. Meanwhile, the local Lebanese paper *L'Orient le jour* of 30 July 1983 reported the arrest of three representatives of the Federation of Trade Unions of Workers and Labourers in South Lebanon for 'refusing to cooperate with the Israeli authorities.'

In addition to Ansar, the only prison camp to which the International Red Cross had access throughout the occupation, there were known to be a number of other detention centres, where prisoners were kept for initial interrogation before release or graduation to Ansar. These were the Serail in Sidon, the local government building taken over by the IDF, the Tobacco Regie in Nabatiyyah, the Israeli military headquarters in Tyre, and the Haddad-administered prison in Khiam near the Israeli border. The Khiam prison is still in operation, and until the release of forty prisoners at the beginning of June 1986, Amnesty International estimated that over a hundred prisoners were still being held there. The Israelis also operated a detention centre on Mar Elias hill overlooking Sidon, which was opened in February 1984 until the withdrawal from Sidon on 16 February 1985.

Prisoners in Ansar were held for anything up to two years. Far from wasting their time in detention, Lebanese and Palestinians organised literacy classes, first aid lessons and group studies of the Koran and the history of Islam. Small sheets of Red Cross papers, allowed the prisoners for writing messages to relatives, were often beautifully adorned with pictures, or contained poems about the nature of steadfastness, or the beauty of South Lebanon. Intended as a weapon to intimidate the local population and deprive it of its leadership, Ansar became a potent symbol of Israeli oppression, and an engine of Lebanese resistance.

Tightening the noose

By the autumn of 1983 the Israelis had withdrawn to the Awali river, leaving the Shouf mountains to erupt behind them in fighting between the Druze and the Lebanese Forces which the Israelis had allowed to infiltrate there. A new chapter of the resistance had begun by the suicide bombings of the US and French military bases on 23 October 1983 in Beirut. Nor did the Israelis escape attention when the first southern suicide bomber struck the Israeli Intelligence HQ in Tyre, killing sixty-one people.²²

The Israelis tightened their security arrangements and consolidated their occupation of the South, which culminated in their closing the Sidon-Beirut road at the Awali river and opening the Bateer-Jezzine crossing in the mountains. Jezzine was a Phalangist stronghold, and this new crossing-point turned the forty-minute drive along the coast road to the South into a five-hour journey along narrow mountain roads through what was enemy territory for most Muslim Lebanese and Palestinians. The latter part of the Bateer-Jezzine crossing was controlled by the Lebanese Forces, who took every opportunity to arrest whomsoever they chose.

It was only possible to leave the South and attempt re-entry if one had first obtained a permit from the Israeli headquarters at Kafr Falous. Most Palestinians did not even bother to apply. Nor did the permit prevent arrest at the Israeli Intelligence office at the Bateer-Jezzine crossing, or cut short the hours of waiting in long and querulous queues, or forestall the arbitrary closure of the crossing to suit the whims of the Israeli troops. Only the International Red Cross were able to take their cars across with impunity; both UNRWA and the Lebanese Red Cross vehicles were searched and harassed. Nor could either organisation guarantee the evacuation of Lebanese or Palestinians requiring urgent medical treatment in Beirut. The merits of medical cases were often judged by non-medical Israeli officers as to their seriousness, and by November 1984 there were at least sixty known cases of people needing treatment who had been denied access to Beirut.²³

The Bateer-Jezzine crossing was also a means of imposing an economic blockade of the South, preventing the free movement of goods out of and into the occupied territory. It was a familiar sight when

²² Some fifteen of the bodies were thought to be Lebanese and Palestinians. A number were found with their hands handcuffed behind their backs.

²³ Lebanon Information Processing Service, *Bulletin No. 2*, produced by the British Refugee Council, London, January 1985.

approaching the crossing from Beirut to come across over a mile of trucks, some of which had been waiting for days to gain access to the South. The prospect of such a wait was daunting for anyone wishing to transport perishable commodities. Nor could the trucks be driven across once they had been cleared; they had to be unloaded and the goods carried on to other vehicles waiting on the far side of the crossing.

The Israelis arbitrarily and selectively imposed bans on certain types of goods reaching the South; building materials and bitumen for road repairs were both banned for a time, and all clinics in the South suffered throughout the period from shortages of one type of drug or another, whether it be penicillin or medicines for the treatment of diarrhoea. Costs of such commodities soared in the South, and many local humanitarian organisations were running up huge deficits on drugs bills alone. The blockade cut both ways; while Israeli agricultural produce flooded markets in the South, local citrus rotted on the trees. Local growers could not afford to pick it when there was no guarantee of the produce ever reaching Beirut. Poorer Lebanese and Palestinians, dependent upon the citrus groves for agricultural wages, faced even greater hardship with unemployment coupled to rising prices.

There are very few reliable figures, or even sources for figures estimating the damage to the economic infrastructure and production in the South. However, a report from the Sidon Chamber of Commerce for 1983 (ie before the economic blockade really began to bite) estimated that the industrial sector in the South witnessed a drop-off of 50 per cent of sales since before the invasion. Coupled with this was an increase of 60 per cent in the cost of raw materials. Meanwhile, the Chamber of Commerce report states that the agricultural exports for 1983 were 50 per cent of those of 1981; the fall-off of this sector is reckoned to have hit the South hardest because up to 40 per cent of the population are said to gain their income from it. Agriculture is also seen to have suffered from the exodus of young people from the South occasioned by the Israeli occupation. An article in the *Financial Times* of 19 February 1985 quotes Hussein Khanan, ex-chairman of the Council for the South, as estimating citrus production down 85 per cent since before the invasion.²⁴

Economic facts and figures do not adequately convey the sense of isolation, desperation and claustrophobia suffered by the population of

²⁴ The same article also contains supporting data for the collapse of the Lebanese economy as a whole, after the invasion. For example, it quotes an IMF report that real output is expected to be about half of the corresponding level before the conflict began in 1975.

the South, nor the way the occupation destroyed ordinary life. No one leaving for work in the morning could guarantee arriving on time, or even getting there at all, so arbitrary were road blocks and arrests. Most families in the South must have suffered the agony of having a relative disappear, only to be told some weeks later that they had turned up at Ansar. The longer the occupation lasted the more ill-disciplined and trigger-happy the Israeli troops became (discipline was never a prerequisite for joining Haddad's militia, or, after April 1984, the South Lebanon Army). Innocent civilians were killed and wounded at checkpoints, or when they walked into resistance 'operations' against the Israelis. The IDF's response to these operations was to 'power fire' around them in a 360° circle for up to a minute. Operations against Israeli patrols were often hit-and-run, a fact the Israelis must have known.²⁵ Often the only people killed by Israeli retaliatory fire were passers-by. Palestinian camps were subject to night-time sweeps by the IDF, Lebanese houses were broken into at dawn and arrests were made. As in the West Bank and Gaza, people suspected of 'terrorist activities' had their houses blown up.

The environment of everyday life became one of fear and uncertainty. Because the cost of living was rising steeply and unemployment was rife, coupled with the fact that many families had male breadwinners in Beirut or locked up in Ansar, most local development organisations found that all of their budgets were being consumed by welfare work. The overall effect of the occupation was to reduce the general level of self-sufficiency of the communities in South Lebanon and to make them dependent on welfare handouts from large welfare organisations, which are usually confessionally based in Lebanon, or on smaller, secularly run non-governmental organisations. The increasing role such organisations were playing in community support made them a target for Israeli attack. Thus it was that local Amal leaders in villages were rounded up and detained, and non-governmental organisations such as Secours Populaire, a community medical organisation, had their hospitals, clinics and staff harassed by Israeli troops. One interesting aspect of the occupation was the increased social role it lent to women, particularly in the urban centres and camps, who carried out the majority of social and welfare work. It was still the case in South Lebanon that women were generally viewed

²⁵ A question that no commentator asked was if the safety of Israeli soldiers was paramount, why did they continue foot patrols through city centres right up to the end of the occupation?

as being of less danger to the occupation than men, and were thus afforded more mobility.²⁶

Withdrawal and the 'Iron Fist'

The political change in Israel that led to the formation of a government of 'national unity' on 16 September 1984 made the final Cabinet decision to withdraw from Lebanon, taken in January 1985, that much easier to bring about. The Israelis had suffered what were for them heavy losses in resistance attacks in the South, the 17 May accord between Israel and Lebanon brokered by the US had been long-scuppered by Syria,²⁷ and internal opposition to the occupation within Israel had become very strong. The National Resistance, the coalition of groups fighting the IDF in the South, were quick to claim the decision to withdraw as a victory for their efforts. It was the first time that the Israeli army had been seen to retreat from Arab soil. However, the Israelis exacted a terrible price for their withdrawal, sowing seeds of discord in the South which are even now producing fruit.

The official Israeli announcement of the institution of the 'Iron Fist' policy was made on 21 February 1985, ostensibly to protect the retreating Israeli army from unnecessary resistance attacks. However, as most Lebanese and Palestinians were aware, the policy was no more than an announcement to the world of practices they had come to regard as the norm. Take, for example, the attack on seven Lebanese villages north-east of Tyre on Thursday, 13 December 1984. According to local press reports and Lebanon radio²⁸ this was carried out by 3,000 troops using tanks and armoured personnel carriers who stormed the villages in the early hours of the morning and were resisted by villagers wielding sticks, stones and boiling oil. The attack resulted in three dead, twenty-three injured and another sixty arrested. The dead were described as 'terrorists' who had been 'shot while trying to escape'.

I visited the village of Borj Rahal soon after this attack and found its condition to be typical of descriptions of many villages in the South after just such an assault. These attacks on Lebanese villages were so well covered by the local and international press that, like the South African government, the Israelis banned journalists from entering the occupied

²⁶ This was true until the 17 year-old woman, San'a Moheidati, became the first woman suicide bomber on 9 April 1985.

²⁷ For the full text of the 17 May agreement see the *Journal of Palestine Studies*, 12(4) Summer 1983, pp 91-101.

²⁸ *Al-Safir* and *al-Nahar* (Beirut) 14 December 1984.

area without an Israeli permit (obtainable in Jerusalem). Most of the buildings in the village had bullet holes, the village clinic had been wrecked and all the drugs had been tipped out in a heap on the floor. Copies of the Koran had been ripped up and scattered in the religious meeting place, or Husseiniiyyah. In subsequent attacks on other villages people had their furniture wrecked, their videos and televisions stolen, their savings ripped up and their houses destroyed.

Villages suspected of being centres of resistance activity were subjected to week-long blockades. Electricity and water was cut off, exit and entry was prohibited, not just for villagers but for UN troops stationed in the South or for the International Red Cross. Israeli assaults on villages in the spring of 1985 were conducted with particular ferocity. On 11 March 1985, the day after a suicide bomber had killed twelve Israeli soldiers close to the Israeli border, Israeli tanks and armoured personnel carriers ploughed into the village of Zarariyyah, injuring or killing tens of people. The photograph on the front of *al-Safir* newspaper of 12 March shows the carcasses of three smashed cars with the bodies of their drivers inside, run over by Israeli tanks.

A number of unexplained incidents in the last six months of the occupation convinced the local population not just of its brutality, but also of its vindictiveness. On 21 January 1985 a 100 kg car bomb placed under the residence of Mustafa Saad, leader of the Sunni Moslem community in Sidon, ripped through Saad's flat, severely wounding and blinding him and killing his daughter Natasha, aged 12. Less than a month away from withdrawal from Sidon, the Israelis had already been warning of a bloodbath that would follow their departure from the area. They strenuously denied involvement in the bombing, but never provided a satisfactory explanation of how anyone could have smuggled such a huge quantity of explosives into the South and past the myriad checkpoints that surrounded Sidon. Again, on 14 March a bomb exploded in a mosque in the village of M'aarakah less than forty-eight hours after an Israeli raid on the village: it killed a leader of the resistance movement, Mohammed Saad, amongst a number of others. On 23 February seven people were shot dead in the village of Sir al-Gharbiyyah. During a visit to the village a few days later I spoke to the father of a youth of 17 who was among the dead. He alleged that the seven had not been killed outright, but had been mortally wounded and had been left to bleed in the dirt; no one had been allowed to approach to administer first aid. He said that three of the bodies had stab wounds, and one was found down the village well.

Towards the last months, 'security arrangements' became positively Byzantine. A dusk till dawn curfew was imposed; out of fear of suicide bombers there was a prohibition placed on motorcycles or motorists driving alone in their cars. Local clinics and hospitals were warned that if they treated anyone wounded during resistance activities they would be closed down. After the withdrawal from Sidon and the setting up of a crossing-point at the Litani river, access to the new occupied area was made just as difficult as was the Bateer-Jezzine crossing. Often the Litani bridge was closed, and local people wishing to reach Tyre had to risk a walk through the banana plantations and over a footbridge which frequently came under Israeli sniper fire. The market town of Nabatiyyah was made virtually a ghost town from 11 o'clock in the morning for ten days before the Israeli withdrawal, when the SLA machine gun-post on the hill overlooking the town opened up with regularity on the streets below.

An interesting aspect of the occupation, which there is little time to deal with here, was the way the Israelis presented it to the outside world. It was stated that the security of every Israeli soldier was paramount to the Israeli government; meanwhile, Israeli soldiers would footslog round Sidon until the last weeks of the occupation of that city, offering themselves up for resistance attacks. The very use of the word 'terrorist' to describe resistance attacks against an army of occupation was an astonishing semantic feat which did not deter the BBC's Jerusalem correspondent from using it. In April 1985 the inhabitants of South Lebanon were surprised to see a TV news item showing Moshe Arens, then the Israeli Defence Minister, addressing an Interpol conference on international terrorism in New York, and complaining about the problem of fanatical Shiite terrorism which Israel was facing on its northern border.

That no one has counted the innocent Lebanese and Palestinians who were gunned down during the occupation while more than adequate media attention was focused on the anguish of bereaved relatives of Israeli soldiers who were killed is perhaps the one triumph of the occupation for the Israelis.

The legacy

Although the Israeli army has withdrawn from the bulk of Lebanese territory, it still maintains look-out posts and military positions on a

swathe of hills overlooking the heart of South Lebanon. The occupier buffer zone itself is maintained under the same conditions as afflicted the rest of the South: entrance and exit is by permit only, the bottom has dropped out of the local agricultural market, which is flooded with Israeli goods, and there is an effort to depopulate, particularly the Shiite villages, through intimidation and violence.

The uneasy truce that now exists between the main Shiite movement Amal, and the Israelis is easily shattered, as was witnessed earlier this year when the more radical Hizbollah group attacked an Israeli patrol and kidnapped two Israeli soldiers. A three-day IDF sweep in the South, similar to attacks carried out during the 'Iron Fist' campaign, was a stark reminder, if any was needed, of the power and ruthlessness of the IDF. On 13 June 1986 this year Reuters reported a more formal offer of status quo from the Israelis to Amal: they would be prepared to withdraw if Amal could guarantee the safety of Israel's northern border. It is unlikely that Amal would be seen negotiating with the Israelis, or if some agreement could be worked out, it is doubtful the Israelis would abolish the SLA.

The violence and brutality of the occupation is indelibly burned on the memories of a whole generation of Lebanese and Palestinians. But perhaps the most lasting effect of the episode is the contribution it has made to the process of confessionalism and cantonisation which has rapidly accelerated in Lebanon as a whole since the Israeli invasion. Just as the Israelis brought the Lebanese Forces into conflict once more with the Palestinians at Sabra and Shatila, and with the Druze in the Shouf, so the Israelis precipitated the cantonisation of the South. By allowing the Lebanese Forces into the areas east of Sidon and arming them, the Israelis had actively encouraged the war which broke out there a month after they withdrew. The Lebanese Forces kept the town of Sidon pinned down for six weeks with Israeli ordnance. Once the Israelis withdrew from Jezzine, in the mountains overlooking Sidon, the signal had been given that there would no longer be support for the Lebanese Forces' action—they withdrew in their turn and the Palestinian and Nasserite armies swept up the hill driving 60,000 Christian villagers before them. Many fled to the buffer zone on Israel's northern border. South Lebanon today is almost the perfect picture of a confessionally divided territory; there is the Druze Shouf, Sunni Sidon, Shiite south and SLA-dominated Christian buffer zone. Nationalist Christians trying to return to their villages east of Sidon have reported their harassment at the hands of the SLA when they expressed their wish to

return, and continue to report sniping from SLA positions on to their fields and villages.

There are many unanswered questions about the Israeli occupation: if they did not intend to annex South Lebanon, why did they stay so long? What is plain, however, is that the brutality of the occupation and the heroism of ordinary Lebanese and Palestinians will live on in popular mythology despite the lasting damage done to the local economy, infrastructure and balance of the communities.

Appendix: Chronology of the invasion and occupation

- 1981 24 July UN mediates ceasefire between Israel and PLO
1982 3 June Schlomo Argov assassination attempt
5 June 200 civilians die in Israeli bombing of Beirut
6 June Israeli invasion
1 July Phalangists brought in by Israelis to Beirut
1 August Multinational Force arrives, first PLO units leave
23 August Bashir Gamayel elected President of Lebanon
14 September Bashir Gamayel assassinated
15 September Israeli army invades West Beirut
16–18 September Sabra/Shatila massacre
23 September Amin Gamayel made President of Lebanon
1983 3 January Start of Israeli–Lebanese withdrawal negotiations
18 April Suicide bomber destroys US Embassy killing forty-six
17 May Israeli–Lebanese withdrawal agreement
14 September Druze and Lebanese Forces fighting after Israeli withdrawal from Shouf
23 October Suicide bombers on US and French army HQs
4 November Suicide bomber attacks Israeli Intelligence HQ in Tyre
23–24 November Six Israeli soldiers exchanged for 4,446 Lebanese and Palestinians
984 14 January Saad Haddad dies of cancer
mid-February Israelis close Beirut–Sidon road, open Bateer–Jezzine
16 September National Unity government elected in Israel
20 September South Lebanon Army kill thirteen people at Sohmar
985 21 January Assassination attempt on Mustafa Saad in Sidon
16 February Withdrawal of Israelis from Sidon
21 February Announcement of start of 'Iron Fist' policy
3 March Bomb in Ma'arekheh mosque kills Mohammed Saad
12 March Israeli attack against Zarariyyah
18 March Outbreak of fighting in Sidon
2 April Transfer of prisoners from Ansar to Atlit in Israel

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- 24 April Lebanese Forces withdraw from Sidon
29 April Israelis leave Tyre
6-7 June Israelis 'complete withdrawal' from Lebanon

ERRATUM

In Dragoslav Avramovic's article, 'Depression of Export Commodity Prices of Developing Countries: What can be done?' which appeared in the July 1986 issue of *Third World Quarterly*, instead of 'the presence on primary producers' on page 953, paragraph one, the text should read: 'the pressure on primary producers'.

Third World Quarterly regrets this error.

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THE UN SYSTEM

▲UNCTAD Trade and Development Board (TDB)

Thirty-second Session

Geneva, 10-21 March 1986

■The TDB ended its spring session with all parties expressing disappointment at the lack of progress. The first week of the meeting was dominated by discussion of the interdependence of problems of trade, development finance and the international monetary system, considered alongside the debt and development problems of the developing countries. The TDB also undertook its sixth annual review of protectionism and structural adjustment during the session, and considered the agenda and the location of the UNCTAD VII conference, scheduled for 1987.

In the continuing discussions on interdependence, a contrast was apparent between the more optimistic economic projections of the Organisation for Economic Cooperation and Development (OECD) countries, and the continued warnings from representatives of the Group of 77 (G77) developing countries of a crisis in development. Representatives of the industrialised countries drew attention to the favourable prospects for growth in the OECD, given low inflation rates and the fall in oil prices, which should in turn stimulate the developing economies. They highlighted recent efforts by the industrialised countries to realign their exchange rates and lower interest rates, through the Group of Five,¹ to make their economic policies more consistent, to tackle the debt problem through the 'Baker Plan',² and to curb protectionism in their own markets, not least through their welcoming a new round of trade talks under the General Agreement on Tariffs and Trade (GATT). While representatives of G77 welcomed the growing recognition of the need for broadly based and coherent international reform, they insisted that the measures did not go far enough. According to Jayantha Dhanapala of Sri Lanka, speaking on behalf of G77, there was still too much emphasis on adjusting the domestic policies of the developing countries and on conditionality, and not enough on unfavourable external factors, such as low commodity prices, high real interest rates, persistent protectionism, and meagre financial flows. These factors he attributed to the policies of the industrialised countries and the major financial centres, suggesting that it seemed almost the case that the recent reforms undertaken by the industrialised countries had been initiated more in the interests of Western banks and of redressing trade imbalances within the OECD, than for the benefit of the developing countries. Adolfo Raúl Taylhardat of Venezuela, criticising the 'dangerously contradictory policies' of the industrialised countries which simultaneously deepened the development crisis and expanded output and world trade, drew particular attention to the shortsighted nature of attitudes to the decline in oil prices. Far from welcoming it, the industrialised countries should be aware that the external debt of OPEC countries amounted to \$200bn and that the actions of these debtor countries could have a powerful impact on the international banking system. A S Consalvez of India

The North-South Monitor was written and researched for Third World Quarterly by Maya Jaggi.

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criticised the industrialised countries for enunciating general principles on trade liberalisation and then conspicuously lacking the political will to implement these principles in practical terms. Emphasising that for India, the decision to begin a new round of trade talks was not a *fait accompli*, but depended on progress made in the GATT Preparatory Committee, he said that it was futile discussing the new areas of safeguards, textiles and agriculture while the past commitments on 'standstill' and 'rollback' remained unfulfilled.³

On the specific problem of international debt, representatives of the industrialised countries expressed the belief that the crisis had been defused by lower interest rates and rescheduling, and they reaffirmed their faith in the 'Baker Plan' and in the case-by-case approach to the problem. G77 countries, however, cited a worsening of the problem in view of the falling export earnings of some of the debtor countries. José Carlos Mariategui of Peru emphasised the political and social toll exacted by the adjustment measures imposed on debtor countries. As a contribution to a lasting solution, he advocated the linking of a maximum percentage of financial outflow from debtor countries to a minimum growth target in the domestic product. At least, he said, 'debt service payments should be limited to a percentage of export earnings compatible with the development needs and economic and social requirements of each country'.

In reviewing the protectionism and structural adjustment undertakings made at UNCTAD VI in Belgrade in 1983, the TDB was unable to reach agreement as to its conclusions. G77 introduced a draft resolution recommending four extra guidelines for the Board's treatment of the issue:

- the review should concentrate on analysis of specific sectors;
- those sectors should be of particular export interest to developing countries;
- new product areas of interest to developing countries should be continually identified;
- the outcome of the review should be specific trade policy measures, recommended for adoption by developed countries.

The draft resolution also advocated the setting up of an intergovernmental group of experts, to draft recommendations for the review, as well as the fixing of a time-frame for enacting the recommendations. The proposal was accepted by the socialist countries, including China, but rejected by the Western countries, which offered an alternative position paper. This paper:

- insisted that the review remain general and balanced, covering all countries, and preferably using more information and statistics;
- suggested more of a function for the UNCTAD secretariat in reviewing structural adjustment, paying attention to all groups and to the role of domestic policies;
- placed the responsibility of resisting protectionism and furthering structural adjustment firmly on all countries.

No decision was taken on the agenda and location of the forthcoming UNCTAD Conference, particularly since G77 had not yet formulated its views on the issues it wanted to see covered. It had, however, established its own preparatory committee to produce such an agenda. Meanwhile, the TDB instructed UNCTAD's Secretary-General to submit a draft provisional agenda to the resumed session of the Board on 16-17 June 1986.⁴

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● 'By comparison with last September's excellent debate on interdependence we have had on this occasion a somewhat colourless and unoriginal exchange of views,' Pierre Louis Girard, of Switzerland, speaking on behalf of the OECD countries. *UN Press Release* (Geneva) TAD/INF/1781, 24 March 1986.

▲ UN Convention on the Law of the Sea (UNCLOS)

Preparatory Commission for the International Sea-Bed Authority (ISA) and the International Tribunal for the Law of the Sea
Fourth Session
Kingston, Jamaica, 17 March–11 April 1986

■ The Preparatory Commission, consisting of representatives of the 159 countries and international organisations which are signatories to UNCLOS, conducted discussions on three main issues: commercial exploitation of the sea-bed outside the regulations provided by UNCLOS; overlapping claims to sea-bed mining sites; and the rules of procedure for the organs of the ISA.

The Commission adopted by vote a resolution explicitly criticising Britain and West Germany for failing to ratify UNCLOS, and for issuing licences to private companies, allowing them to begin commercial exploitation of the international sea-bed, thus undermining the Convention. According to the resolution, proposed by the Group of 77 (G77) and adopted by a vote of 59 to 7 against (Belgium, Canada, France, Italy, Japan, Luxembourg and the Netherlands) with 10 abstentions, these actions were 'wholly illegal and devoid of any basis for creating legal rights'. The move followed a similar condemnation at the previous session of the US, which had also not ratified UNCLOS, and was actively proposing an alternative 'reciprocating states' regime' involving Britain and West Germany, which entailed issuing licences to private companies in opposition to UNCLOS arrangements.² The developing countries were concerned that the unlimited exploitation of sea-bed minerals by private companies would flood and depress mineral markets, to the severe detriment of land-based mineral producers. They also foresaw protracted disputes if mining companies were to operate without regulation in areas disputed between states-parties to UNCLOS and non-parties. Britain and West Germany, present as observers at the session, argued, however, that UNCLOS had not yet entered into force and had not achieved universality. The treaty is to come into force a year after sixty states have ratified it. So far there are twenty-six ratifications. Moreover, Britain, West Germany, the US and other countries had abstained at its adoption in 1982, on the basis that its provisions for regulating sea-bed mining restricted the rights and interests of private enterprise. These countries said that even when it became law, UNCLOS would bind only those states which had ratified it.

Progress was reported at the session towards the resolution of the problem of overlapping claims to sea-bed mining areas. Of the four states qualifying principally for 'pioneer investor' status, only India's claims, in the Indian Ocean, were uncontested. Those of France, Japan and the Soviet Union overlapped, mainly in the north-east Pacific Ocean, and those claims needed to be settled before the rules of registration of pioneer investors could be finalised and registration begin. The

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Commission heard that the 'Arusha Understanding' reached between the four states during confidential negotiations in Tanzania in February 1986, provided the basis for a final agreement. It was noted informally at the session, however, that commercial exploitation of the sea-bed might not begin in earnest for several years, despite the settling of claims. It appeared that financiers were wary of providing funds for research and development while the international legal regime governing the sea-bed remained unclear.

The Commission completed the first reading of the procedural rules of the ISA Council, which is to consist of thirty-six members representing regional groups and major interests. It postponed consideration of the setting up of a finance committee, on the basis that all financial matters would be considered together at a later stage. It also continued discussion of the procedural rules of the ISA Assembly, and began to consider those of the Legal and Technical Commission, one of the two main organs of the Council. The Commission also heard reports on the work of its four special commissions.⁶

The next session of the Commission was scheduled for New York, from 11 August-5 September 1986.⁷

▲ Commission on Transnational Corporations (TNC's)

Twelfth Session

New York, 9-18 April 1986

■ The Commission's regular session adopted three resolutions concerning TNC's in South Africa and Namibia, and the activities of the Centre on Transnational Corporations (CTC).

A resolution proposed by the Group of 77 (G77) condemned the apartheid regime in South Africa and its illegal occupation of Namibia, together with those TNC's that continued to collaborate with the regime in the nuclear, military and economic fields in violation of the relevant UN General Assembly and Security Council resolutions. It urged all states, organisations, banks and TNC's to implement the recommendations of the panel of eminent persons which had conducted hearings on the activities of TNC's in Southern Africa. It also recommended the continuation of the Secretariat's work in collecting and disseminating information on the activities of TNC's in the region, and its presentation of an up-dated report to the Commission's thirteenth regular session. The resolution was adopted by 32 votes to 3 (Britain, Switzerland and the US), with 6 abstentions (Canada, France, Italy, Japan, the Netherlands and West Germany). The countries abstaining on the resolution, or voting against it, tended to reaffirm their opposition to apartheid, as well as to sanctions against it, or stressed the adherence of TNC's associated with their own countries to existing codes of conduct.⁸

A further resolution adopted by a vote of 31-9-1, proposed further research and analysis by the CTC on the role of TNC's, and ways in which their function could be improved. The CTC was to report to the Commission at its next session. A resolution adopted by consensus recommended that the Centre bring up to date its report on 'Transnational Banks: Operations, Strategies and Their Effects in Developing

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tries', including analysis of such issues as the ways in which transnational banks operate on external debt with developing countries, and the interaction between these banks and the International Monetary Fund (IMF)."

UNESCO

Executive Board Meeting

Paris, 7-23 May 1986

The key issues on the agenda were financial problems attendant on the US and British withdrawals from UNESCO in 1984 and 1985 respectively, and Britain's request for observer status in the organisation. Also discussed, though not on the official agenda, was the prospect of nominating a new Director-General when the term of Amadou Mahtar M'Bow expires in November 1987.

In his opening speech, the Director-General said that the 30 per cent reduction in UNESCO's budget owing to the withdrawal of the US, Britain and Singapore, had necessitated the abolition of 558 staff posts in the secretariat, in addition to the 977 lost the previous year. The Executive Board did not, however, accept a Soviet proposal, first made at the previous Board meeting in September 1985,¹⁰ for the massive removal of US and British nationals from UNESCO's staff, as a means of fulfilling these cuts. A compromise proposal adopted by the Board's Administrative and Finance Commission did, however, recommend efforts to ensure the 'representation of all member-states' in the secretariat.

Britain's request for observer status in UNESCO was granted, despite the opposition of the Soviet Union and the francophone African states, which reportedly felt that it should at least be subject to delay. The relevant resolution also asked the Director-General to open talks on restoring diplomatic immunity for UNESCO officials, which Britain, in the face of strong protest from M'Bow, had refused to do in 1986.

Though the nominations for the post of Director-General were not due until the end of 1986, moves began among Western countries to oppose the re-election of M'Bow to a third term. The position of these countries appeared to be that they were not merely directly campaigning for reforms within the organisation, but had resolved that the removal of M'Bow was a prerequisite for change. The alleged inefficiency and politicisation of UNESCO since 1974, under M'Bow's leadership, were among the reasons cited by the US and Britain for withdrawing, and other countries including Japan threatened to follow suit if M'Bow was re-elected. A rift seemed to have merged among the Western countries, however, following a meeting of the 'Major Group' in March 1986. This group consists of the twelve Western industrialised countries which each contribute more than one per cent to the combined budget of UNESCO and its agencies. The group apparently agreed in principle to an Australian proposal that all heads of UN organisations should serve a maximum of two five-year terms. It was reportedly divided, however, by the subsequent action of the Australian representative at UNESCO, Gough Whitlam, who sent a full text of the allegedly confidential minutes of the Geneva Group meeting to M'Bow and the Executive Board. Following this breach of confidentiality, it seemed that some

Nicaragua's government, true. They have never denied that there are also three priests occupying ministerial positions as well as other independent moderates. Nicaragua is not a single-party state nor is Marxism-Leninism the official ideology. In the Soviet literature, Nicaragua is not even considered a 'state of socialist orientation', a term used to depict countries such as Ethiopia, Afghanistan, Angola, South Yemen and Mozambique. Furthermore, the Sandinistas have constantly stressed their disagreement with Marx's contention that 'religion is the opiate of the people'.

The book under review could be divided into three main sections. The first major part is concerned with power and interests. The chapters in this section address themselves to issues on the formal structure of government at local, regional and national levels. The other chapters delve into the role of grass-roots organisation, the armed forces, the Church, women, the bourgeoisie, the media, and Nicaragua's ethnic minorities. Some of these issues have been the subject of much controversy but the authors deal with them adequately.

The second part of the book is concerned with economic policy. Contrary to the Kissinger Commission Report, Nicaragua had used the structuralist approach which is common in Latin American countries. Its economic performance—as measured by the growth of GNP from 1980 to 1983—has actually been the best in Latin America. Its foreign debt, however, has increased rapidly from \$1.6 billion in 1979 to \$4 billion in 1984. Nicaragua is also facing a number of serious economic problems, eg a balance-of-payments deficit, a sharp drop in commodity pricing, the heavy cost of the war against the *contras*, lack of credit for development projects, and most recently the US trade embargo.

The third part deals with social policy. This is the real measure of the effects of development policies in such areas as agrarian reform, education, health, social welfare, housing, food policy and culture. Given the vast problems they face, one would expect that little would have been accomplished. However, as the authors confirm, more has been achieved in some of these areas in the first five years than most Latin American countries have achieved in decades. Grass-roots participation has been a key element in making possible the literacy crusade in 1980, in preventive health care, neighbourhood sanitation, low-income housing, and food distribution. However, since 1984, some social programmes have been curtailed and human and material resources are being diverted to defence because of the '*contra*' war.

The most interesting part of the book is the discussion of international dimensions. Since 1979, the Sandinistas have followed an independent non-aligned foreign policy; diversity in diplomatic and economic relations has been central to this policy. Trade and financial links with the socialist and non-aligned countries were initiated in 1979–80, and have since experienced a

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commit themselves to financial assistance in the way the African countries had hoped for, and frequently characterised the sum requested as excessive. Cataloguing their own foreign aid endeavours, they insisted that the session was not a pledging conference, and that as parliamentary democracies, they had no prior mandate to offer specific funds.

In his own speech, US Secretary of State, George Shultz¹⁴ made efforts to demonstrate political support for African moves away from the 'discredited orthodoxies about state-directed development' towards economic liberalisation and providing incentives for individual initiative, and particularly for farmers. He elaborated a five-point programme for Africa, which included:

- transferring aid from the public to the private sector;
- creating a liberal environment for foreign investment;
- liberalising trade;
- increasing multilateral lending through the International Monetary Fund (IMF) and the World Bank;
- funding research into achieving a 'green revolution' in Africa, comparable to that in Asia.

Like the other major industrialised countries, however, the US was not prepared to offer extra aid or to countenance a discussion of international debt outside the existing multilateral financial framework. Nor would debt be considered on any other basis than the customary case-by-case approach, which rewarded individual debtor countries espousing the requisite adjustment policies. In their opposition to regarding Africa's external debt as a special case, the industrialised countries found unexpected allies in some non-African developing countries within the Group of 77 (G77), particularly those in Latin America. These countries, failing to exhibit the Third World solidarity sought by Africa, seemed reluctant to allow a form of special treatment for debtor countries from which they would be excluded.

The unyielding stance of the industrialised countries had three exceptions. The Netherlands announced its willingness to cancel all service and principal repayments for five years, totalling around \$80m. on government Overseas Development Assistance loans to low-income African countries which were undertaking effective adjustment policies. Canada offered a moratorium on all debt repayments on government development loans to sub-Saharan Africa. Finally, Denmark announced that it had submitted a proposal to its parliament for the cancellation of outstanding debts owed by Tanzania.

The UN Programme of Action, adopted by the special session without a vote, consisted of two main elements: the African commitment to orchestrate its own development, embodied in the APPER; and, predicated on that commitment, the complementary international response. The \$128bn plan was endorsed, but since no external financial commitment was forthcoming, countries merely agreed to make 'every effort to provide sufficient resources to support and supplement Africa's effort'. On debt, 'the magnitude of Africa's debt and the severe and restrictive burden which it places on many African countries' was recognised, but redress was to come only through existing mechanisms, which 'should respond flexibly and be improved appropriately'. Echoing APPER, the programme entailed the highest priority for agriculture, to be encouraged through investment and incentives; the fostering of the private sector; the improvement of economic performance; the

was strongly influenced by Shariati and was staunchly anti-American, anti-Marxist, anti-Shah and anti-clerical. It was constantly on the lookout for religious leaders who would 'betray the revolution'. Election results of the last four years are taken at face value (pp 139 and 260). The blend of vehement anti-Westernism and anti-communism is treated as if it was something completely new in the modern world (pp 330-1). But there were certain gentlemen in the 1930s running around in central Europe who spoke a very similar language. The official view seeps through Hiro's detailed account of the US embassy takeover. The real reason for the takeover is described as the desire to 'seize the documents' that proved the US was conspiring with the Shah and with the Kurdish rebels (p 136). In fact, the real reason was to undercut Bazargan's Provisional Government and, in the midst of a national crisis, ratify the highly clerical constitution that had been drafted against the wishes of the more moderate and secular cabinet ministers. Similarly, Hiro has a full chapter—some twenty-seven pages—on the hostage crisis leaving the distinct impression that in the whole incident Iran scored a major victory over the US. It is only much later, in a brief paragraph tucked away in the chapter on the Gulf War (p 173), that one discovers the final outcome of the crisis—Iran had to pay \$3.7 billion to various Western banks, place \$5.4 billion in a special account to cover claims brought by other Western companies and submit to the decisions of The Hague International Court. American corporations would be happy to see more such Third World victories. In the art of writing history from accounts of living participants it is always best to keep in mind Marx's favorite motto: *de omnibus dubitandum* (doubt everything).

What we still need is a book on the Iranian revolution that will not only ask the right questions and provide answers that are scrupulously impartial, but will also combine theory with history, social science with empirical data, political-science constructs with old-fashioned spade work in primary sources, and broad generalisations on politics, especially Third World politics, with a healthy respect for the details of the drama being played out in contemporary Iran. Maybe the next generation will produce such a book.

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Abdou Diouf of Senegal, Chairman of the OAU, describing the gathering as 'the conference of the last chance', said that sanctions were the only available means of achieving change in South Africa, and preventing a conflagration in the country. The purpose of the conference, he felt, was to define procedures for the practical implementation and coordination of sanctions, in combination with increasing aid to the Frontline States (FLS) and to the Southern African liberation movements, the African National Congress (ANC) and the South West Africa People's Organisation (SWAPO). Nigeria was the first country to pledge extra aid for the FLS and the liberation movements, offering \$50m over the next five years. In a further practical move, the Nigerian Foreign Minister, Balaji Akinyemi, urged free registry states, which offer 'flags of convenience', to make it illegal for oil and shipping companies under their jurisdiction to trade in oil with South Africa.

The Commonwealth Secretary-General, Shridath Ramphal, called on the major economic powers to cease trading with South Africa, countering their well-rehearsed argument that sanctions would harm the neighbouring states and the people of South Africa most, by pointing out that the FLS had repeatedly announced their willingness to accept the consequences of those sanctions. Both he and Oliver Tambo, the President of the ANC, cited the report of the Eminent Persons' Group (EPG) which had been set up by the Commonwealth Summit in Nassau in October 1985.¹⁶ Oliver Tambo said that the failure of the EPG, fully acknowledged in its own report, proved that the Botha regime was not prepared to resolve South Africa's problems by negotiation. He explicitly condemned the US, Britain and West Germany as co-conspirators in the crime of apartheid. It was the few countries that wielded great power and exercised the veto in the UN Security Council, which had hindered the formulation of a truly global consensus on apartheid, sheltering the regime from decisive international action.

The conference adopted a declaration which said that apartheid was irreformable, that no encouragement would be given to spurious attempts to reform it, and that it must be 'totally uprooted and destroyed'. It called for mandatory economic sanctions as the most effective, peaceful means of ending apartheid, the alternative being escalating violence and bloodshed. Urging South Africa's trading partners to 'reassess their positions and cooperate in rather than hinder international action,' it said that it was important and urgent for the UN Security Council to identify the Pretoria regime as a grave threat to international security, hence making it liable for the imposition of mandatory sanctions under Article VII of the UN Charter. The Declaration noted that the movement of world opinion in favour of sanctions and in support of Southern African liberation struggles offered the opportunity for decisive international action against apartheid and for Namibian independence. It cited three prerequisites for a lasting solution in Southern Africa:

- the speedy and total elimination of apartheid;
 - the immediate and unconditional release of all political prisoners; and
 - negotiations with the 'genuine leaders of the oppressed people of South Africa'.
- Included amongst the declaration's provisions were a particular reference to the failure of the 'constructive engagement policy' espoused by the US, and concern at the consequences for international peace and security of Israel's collaboration with South Africa, particularly in the nuclear field.

The one reservation made to the declaration was by Australia, which said that it

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did not support the recognition of 'the right of the people of South Africa and Namibia to choose their means of struggle'. Australia also objected to the naming of Britain and the US as obstacles to mandatory sanctions, in applying their vetoes in the Security Council. It was these vetoes, the declaration continued, which had facilitated South Africa's increasing destabilisation of the FLS. An original reference to the Commonwealth EPG report as finding the Pretoria regime responsible for the violence in South Africa was deleted in the course of the debate.¹⁷

●The absence of the US, Britain and West Germany from the conference 'is a disservice to the conference and an even greater disservice to themselves'. Shridath Ramphal, Secretary-General of the Commonwealth Secretariat. *The Times* (London) 17 June 1986.

'Current reports confirm that the governments of these countries remain determined to persist in that ignoble and dishonourable role of allies in a truly murderous regime. If those who have the power to impose sanctions fail to do so now, then history will surely judge them as co-conspirators and participants in the commission of a crime of immense dimensions.' Oliver Tambo, President of the ANC. *The Times* (London) 18 June 1986.

'The time is now well past the eleventh hour. Comprehensive mandatory sanctions are no guarantee for a less violent change in South Africa. They are, however, an historical statement that humankind did not sit idly by.' Witness Mangwende, Foreign Minister of Zimbabwe. *Financial Times* (London) 18 June 1986.

COMMODITIES

▲International Coffee Organisation (ICO)

Council Meeting

London, 28 April-2 May 1986

■In an inconclusive session, the seventy-five members of the ICO discussed the allocation amongst the fifty producer countries of new percentage shares in the global coffee market. The current export quotas, determined in 1981 and reconfirmed in 1984, expire on 30 September 1986. The quotas which replace them will, however, remain in force until the expiry of the current International Coffee Agreement (1983) in October 1989.

Disagreements centred on the criteria for determining the quota entitlements of producer countries. The ICO traditionally uses past export performance levels in deciding percentage shares of the market, but at the time of the meeting, this criterion favoured countries with small percentage shares at the expense of Brazil, with its 30 per cent share of ICO sales. Since the suspension of export quotas in February 1986¹⁸ when the poor Brazilian crop had caused prices to rise above the ceiling determined by the International Coffee Agreement, other countries had been eroding Brazil's sales, and on current performance would therefore have been entitled to higher quotas than they had received at the previous allocation. Brazil, however, resisted all suggestions that its percentage share should be reduced, taking issue with the fixing of long-term quotas on the basis of one poor year. Furthermore, while it was in Brazil's interests to settle the question of quota allocations as soon as

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possible, before its sales were further eroded, no other countries seemed willing to recognise any urgency in making a decision. As supply quotas were the ICO's mechanism for regulating prices, and had been suspended when prices rose, there seemed to be no need to consider individual quotas until the coffee price fell to levels where export controls would be automatically reimposed. There was speculation that prices would only begin to near this level of \$1.35 per pound after August 1986, when the threat of frost in Brazil, and therefore of further shortages, had receded. The Council decided merely to establish two working groups, one of consumer countries and the other of producer countries, to examine possible criteria for future allocations. These groups were not scheduled to meet till the end of June 1986.

More decisively, the Council established a system for penalising ICO producers which sell at a discount to non-ICO consumer countries. It was decided that when export quotas were reimposed, countries selling their coffee more cheaply to non-members, or failing to produce documentary evidence of the arrival of sales to non-members, would suffer the sanction of a cut in their export quotas. It was apparently understood at the meeting that the US's continued membership of the ICO depended to a certain extent on the Council's agreement to institute such penalties. The US confirmed its continued membership at the session, having conducted a detailed study of the considerations involved, but the implementation of this decision depended on the approval of the US Congress, in turn sensitive to the question of abuses by producer countries within the ICO. While the decision on penalties had the approval of the majority of the ICO members, it was reported that the EEC countries were hostile to the decision, on the basis that it required more time for deliberations. A few EEC countries voted against the US proposals, while most of them abstained.¹⁹

▲ UN Conference on Natural Rubber, 1985

Second Session

Geneva, 5–23 May 1986

■ Representatives of some fifty rubber producing and consuming countries attended an inconclusive reconvened session to negotiate a new International Natural Rubber Agreement (INRA). Though the current INRA of 1979 expires on 22 October 1987, its successor agreement should ideally be concluded by October 1986, to allow time for it to be ratified by governments before the old pact expires. A first attempt at negotiating a new INRA had been made in April–May 1985, but had failed owing to disagreements over the price range which the pact would seek to defend.²⁰

There was apparently agreement between producing countries (chief among which are Malaysia, Indonesia and Thailand) and consuming countries (including the EEC, the US and Japan) on only two points: that price stabilisation should be the primary objective of a new pact; and that the pact should be 'financially viable'. There were differences, however, as to the interpretation of these parameters, and as to other features of the pact. According to the Conference Chairman, Manasapas Xuto of Thailand, there were three key outstanding areas of dispute:

- Price level and structure: at the previous session producers had suggested a

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reference price (which determines when the buffer stock manager may or must buy or sell rubber to control the price) of 265 Malaysian or Singapore cents per kilogramme (against a current reference price of 201.66 cents) and this proposal apparently still stood, though its proponents implied that it was negotiable. Consuming countries had already, however, rejected such a price level as being too high, and as disregarding market trends, which they believed should be respected by any pact. They pointed out that the buffer stock, currently standing at 365,000 tonnes, had only been purchasing not selling, indicating that even the current reference price was very high. The representative of the EEC, Oswald Van Wauve, carefully distinguished between price stabilisation and price support. In contrast, the producers' spokesman, Ahmed Farouk of Malaysia, considered price stabilisation meaningless unless it proved remunerative for producers, fair to consumers and led to an expansion in developing countries' export earnings. He also argued that the higher reference price was needed to offset increasing production costs and to encourage investment, which would in turn secure future supply.

- Price adjustment mechanism: the consuming countries were satisfied with the buffer stock as the sole mechanism for controlling prices, while producers wanted to consider supplementing it with export controls.
- Financing the buffer stock: consumer countries, particularly the EEC, wanted the buffer stock financed solely by members' contributions, allowing it no commercial borrowing powers. In this regard, they were strongly influenced by the collapse of the International Tin Agreement (ITA)²¹ whose buffer stock operations had ceased in October 1985. Their reservations continued despite assurances from the Conference Chairman that INRA differs from the ITA in two important respects: the buffer stock manager has no power to trade in forward contracts or make forward purchases which he may be unable to finance; borrowing under INRA only occurs at the request of a specific government in respect of its own shares in the buffer stock, and it therefore remains liable for any debts incurred on its behalf.

Producers rejected a compromise proposal by Manaspas Xuto to retain the present reference price and adjustment mechanism in a new agreement. The session adjourned, to resume on 6–17 October 1986.²²

▲ International Tin Council (ITC) Seventeenth Ordinary Session London, 29 May–4 June 1986

■ The ITC's twenty-two producer and consumer countries met for their second session since their last failed attempt to reach a negotiated solution to the 'tin crisis'. The price of tin was currently at a ten-year low of £3,500 per tonne, and at the previous ITC session in March 1986, all export controls on tin had been suspended.²³

The market intervention provisions of the sixth International Tin Agreement (ITA) had been suspended indefinitely since 24 October 1985, when the Council defaulted on net debts of £900m with no remaining resources to finance them. Since that time, numerous abortive attempts to resolve the crisis had been made.²⁴ A few creditors had had their claims partially met out of court, but the only remaining means of the creditor banks and brokers securing compensation was by suing the

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ITC's member-governments, which disclaimed responsibility for the Council's debts, on the basis of their sovereign immunity. A final attempt by eleven creditor banks just prior to the meeting to settle the problem by negotiation rather than litigation failed to elicit a positive response. A letter from the banks to the member-governments, sent through the ITC Chairman, Peter Lai, and suggesting discussions on the outstanding claims, was merely acknowledged in the Council session, with no suggestion of acceptance.

No decision on the future of the ITA was taken at the meeting, but there was apparently a consensus that the current agreement would be the last. It was virtually decided that there would be no renewed attempt at international cooperation to regulate tin supplies and prices after the sixth agreement expired at the end of June 1987. A suggestion that the ITC could be transformed into a study group for collecting and disseminating information and statistics was also rejected. Member-governments appeared to wish to distance themselves from the ITC, partly in embarrassment at its conspicuous failure, and partly because any continuity could make them more liable to be pursued into court by ITC creditors. It seemed likely, however, that an entirely new body, established under the auspices of the UN Conference on Trade and Development (UNCTAD) could assume the role of a study group for tin.

The next session of the ITC was scheduled for 1-3 October 1986, in London.²⁵

DISARMAMENT

▲ Soviet Union-United States

Arms Control Negotiations: Fifth Round

Geneva, 8 May-26 June 1986

■ Soviet and US negotiators met for their fifth round of nuclear and space talks in an atmosphere of mutual recrimination. They accused each other of having failed to meet the obligation, assumed at the superpower summit in November 1985,²⁶ to accelerate their progress towards an agreement. Viktor Karpov, the chief Soviet negotiator, charged the US with having escalated tensions and heightened the military threat through its actions against Libya. The chief US negotiator, Max Kampelman, countered by attacking the Soviet Union's presence in Afghanistan, and its supplying of weapons to Colonel Ghadafi. He further accused the Soviet Union of being more concerned with propaganda and splitting the Western alliance than with serious arms control.²⁷

The negotiations were further complicated by Soviet suggestions that the convening of a second superpower summit depended on their achieving specific results, particularly in the fields of intermediate-range nuclear forces (INF) and nuclear test banning. A preparatory meeting for the summit had been cancelled by the Soviet Union in April 1986 in protest at the US raid on Libya, and a subsequent letter from the Soviet leader, Mikhail Gorbachev, to the British Prime Minister, Margaret Thatcher, while more conciliatory about the prospect of a second summit, had failed to suggest new proposals to break the deadlock in the Geneva talks.

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On arrival at Geneva, both sides affirmed that they were bringing no new proposals to the table, but expected responses to their standing offers.²⁸ Notwithstanding these assertions, and an agreement of confidentiality on the substance of the talks, details of new proposals emerged. The US suggested improved means of verifying the INF cuts which it had proposed in the previous round. It advocated a joint standing commission to investigate alleged violations, and continual on-site inspection to ensure the destruction of existing medium-range weapons and the absence of new weapons on residual sites. Renewed US emphasis had been placed on the verification of arms control measures, in apparent response to the paucity of information surrounding the accident at the Chernobyl nuclear reactor on 26 April 1986. The relevance of Chernobyl to arms control was, however, staunchly denied by Viktor Karpov, who moreover rejected the US's INF proposals as a basis for negotiation. The Soviet Union, for its part, introduced a draft treaty on INF on 15 May 1986. It was acknowledged by the US to have been presented without the customary surrounding publicity, but was alleged to constitute only a formal codification of previous statements. It therefore failed to meet the US requirements on at least two counts: it covered medium-range missiles in Europe without restricting Soviet mobile missiles in Asia, and it repeated demands for a freeze on the British and French independent nuclear forces.

The main new proposal of the fifth round hailed from the Soviet side. On 29 May 1986, the Soviet negotiators tabled a proposal for mutual cuts in strategic forces to the level of 8,000 nuclear charges each, as an interim measure towards the achievement of a 50 per cent cut in strategic weapons. These cuts were, however, to be linked to a strengthening of the Anti-Ballistic Missile (ABM) Treaty. This treaty of 1972 restricting defensive weapons systems, allowed each party to withdraw from it following six months' notice, on the grounds that the treaty 'jeopardised its supreme interest'. The Soviet Union now proposed a commitment that neither side would withdraw from the pact for at least ten to fifteen years.

On space weapons, the proposal suggested a division into three categories:

- defensive weapons for intercepting and destroying enemy missiles;
- offensive weapons for destroying enemy satellites;
- offensive space-to-earth weapons, a possible new development, for destroying enemy forces.

The Soviet Union proposed to link restrictions on defensive space weapons, as well as on strategic forces, to the strengthening of the ABM Treaty. In a concession from its previous position, where the ending of space weapons research was a precondition for strategic cuts, there was to be no restriction on basic research, though no new laboratory research beyond the basic threshold already reached in the US was to be permitted. There was to be a ban on building prototype defensive weapons. There could also be separate agreements to liquidate existing anti-satellite weapons and prohibit the development of new ones, or of space-to-earth weapons, as partial measures towards a comprehensive accord on space weaponry.

On INF, the Soviet Union proposed the interim elimination of all US and Soviet medium-range missiles in Europe, and a freeze on the numbers of British and French weapons, though they would be exempt from initial cuts. A letter from Mikhail Gorbachev to President Reagan on 22 June 1986, was reported to have hinted at a possible compromise on INF which would allow the Soviet Union to

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retain some medium-range missiles in Europe and Asia, with corresponding US retentions in Europe and elsewhere.

The informal US response, as signalled by conciliatory remarks by President Reagan,²⁹ was cautiously positive. The initial impression appeared to be that concessions had been made but that the proposal required further negotiation. The plan reverted to the definition of 'strategic', contained in the Strategic Arms Limitation Treaty (SALT), as 'long-range', rather than the Soviet Union's insisting on classifying as strategic all missiles capable of striking Soviet territory, including, therefore, US medium-range missiles in Europe. It also made the concession of excluding from cuts US forward-based systems (such as fighter bombers in Europe and on aircraft carriers), though it did require their levels to be frozen. It permitted long-range (more than 600km) sea-launched cruise missiles on submarines (where the Soviet Union positioned most of its own) while banning them from surface vessels (where the US stationed them).

A further Soviet suggestion at Geneva covered verification of long-range mobile missiles, apparently as a challenge to the US contention that their activity was unverifiable and therefore merited a total ban. Rather than being a detailed proposal, the Soviet plan indicated possible means of verification, such as monitoring missiles as they leave the factories, and restricting them to certain specified areas in order to facilitate detection. It was reported that the Soviet suggestions mirrored previous US verification proposals, and in that sense, too, constituted a challenge to the US to accept the implications of their own stated position.

The chief Soviet proposal of the fifth round came after President Reagan had made a major announcement on the impending implementation of a US 'proportionate response' to alleged Soviet violations of SALT II. On 27 March 1986 President Reagan had proclaimed his intention to breach SALT II by continuing to equip US B-52 bombers with cruise missiles, beyond the 130 bombers stipulated by SALT II, unless the Soviet Union curbed its alleged violations of the treaty. He said that the Soviet Union had developed a second land-based intercontinental ballistic missile (ICBM), the SS-25, and the illicit encoding of missile test data, in contravention of SALT II. He cited two further conditions for US observation of the treaty as the reversal of the Soviet Union's unprecedented arms build-up, and its allowing progress at the Geneva arms talks. In the meantime, the US would remain within the technical bounds of the treaty by dismantling two obsolete Poseidon submarines as sea trials began on a new Trident submarine, the *Nevada*.³⁰ The Soviet Union's Geneva proposal was, however, understood to have been formulated before Reagan's announcement, and not to constitute a reply to it. The Soviet response, contained in a statement on 31 May 1986, was to condemn the US attitude to SALT II as a threat to arms control in general, to deny the alleged violations, and to declare its intention to increase its own forces if the US exceeded the limits of the treaty.³¹

At the end of the fifth round, Max Kampelman expressed a cautious optimism over the main Soviet proposal, a tone which Viktor Karpov resolutely refused to echo. The talks were set to resume on 18 September 1986, by which time the US had undertaken to prepare its formal response.³²

● I have determined that in the future, the United States must base decisions

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regarding its strategic force structure on the nature and magnitude of the threats posed by Soviet strategic forces and not on standards contained in the SALT structure which have been undermined by Soviet non-compliance, and especially in flawed SALT II Treaty which was never ratified, would have expired if it had been ratified, and has been violated by the Soviet Union.' US President Ronald Reagan announcing the US decision no longer to consider itself bound by SALT I *International Herald Tribune* (Paris) 28 May 1986.

'The situation at the Geneva talks on nuclear and space weapons has clearly been aggravated . . . The grave doubts we had even earlier about the real wish of the American side to have new agreements have now been forcefully supported by Anatoli Dobrynin, senior foreign policy adviser to the Soviet leader, Mikhail Gorbachev. *International Herald Tribune* (Paris) 21-22 June 1986.

NORTH ATLANTIC TREATY ORGANISATION (NATO)

▲ Defence Planning Committee (DPC)

Brussels, 22-23 May 1986

■ The spring session of the biannual DPC was attended by defence ministers from NATO's sixteen member-countries. France was not represented, as it does not participate in strictly military discussions within the alliance. The ministers were, however, considering within the routine framework of the DPC, a US proposal to recommence the manufacture of chemical weapons after a lull of seventeen years, probably the most significant NATO decision since the deployment of Cruise and Pershing missiles in Europe.

The proposal was being presented to the committee by US Defense Secretary Caspar Weinberger, as a 'force goal' or a suggested NATO objective which had been approved at previous stages by NATO's permanent ambassadors,³³ and only awaited the formality of a ministerial 'rubber stamp', duly accorded to most force goals. The proposal was the result of a decision by the US Congress in December 1985 to authorise the manufacture of chemical weapons (ended by President Nixon in 1968 on certain conditions: first, that the approval of the North Atlantic Council, NATO's highest decision-making body was secured; and second, that contingency plans for the deployment of chemical weapons were agreed with NATO members. On this basis of these conditions, an initial \$167m would be released to start production of chemical weapons on 1 October 1986, but their actual assembly would only begin on 1 October 1987 on condition that no international treaty banning chemical weapons had been agreed, and subject to various guarantees on the safety of handling and storage.

The weapons under consideration were 155mm artillery shells containing mustard nerve gas, and 'big-eye' binary chemical bombs, containing two non-toxic substances which combined to produce lethal VX nerve gas. The reasons cited for manufacturing such weapons were an alleged Soviet build-up of chemical weapons estimated by the US to reach between 200,000 and 700,000 tons; the obsolescence of the existing NATO chemical arms deployed exclusively in West Germany; the enhanced safety in storing binary weapons; and the need to negotiate a ban on chemical weaponry with the Soviet Union from a position of strength.

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Prior to the meeting, West Germany and Britain had both given their approval of the US's force goal on the basis of certain understandings. An agreement reached during the Tokyo Summit in early May 1986, between President Reagan and Chancellor Kohl of West Germany specified that, unlike the existing weapons, the new arms would be stored in the US until a crisis period of war or transition to war necessitated their transfer to Europe; the old stockpile would be withdrawn from West Germany by the end of 1992; the consent of the West German government would be a prerequisite of their deployment there; and there would be no 'singularity' of deployment, or in other words, West Germany would not be the only NATO country asked to station them. Britain, too, gave its approval on the basis that no binary weapons would be stored in Europe in 'peacetime' (however defined) and none would be deployed in Europe without prior consultations.

The DPC 'took note' as requested of the ambassadors' decision to approve the US force goal. Six members, however, Denmark, Greece, Iceland, Luxembourg, the Netherlands and Norway expressed doubt that such a decision could be taken without unanimity being required, and registered their deep reservations. Only Britain, Canada and West Germany gave their full support, other countries such as Belgium and Italy expressing grave doubts about allowing chemical weapons to be deployed on their own territory even in time of crisis. After the meeting, Caspar Weinberger said that contingency plans for the deployment of binary weapons were now in the process of being formulated. It was not certain, however, whether the US Congress would accept the decision in the DPC as a fulfilment of their original condition, or as indicative of the degree of NATO support which it had been seeking.³⁴

● 'It is the Soviet Union which is at fault in making and stockpiling chemical weapons. It is they who should be asked to stop,' Margaret Thatcher, the British Prime Minister, defending the US decision to recommence the manufacture of chemical weapons. *Financial Times* (London) 24 May 1986.

A NATO decision to approve chemical weapons would send a 'wrong signal at the wrong time' to the Soviet Union. Jaap de Hoop Scheffer, NATO ambassador for the Netherlands, denying that the decision would have a salutary effect on the negotiations for a treaty banning chemical weapons. *The Guardian* (London) 17 May 1986.

'There is a kind of collective memory in Europe about World War I. Gas is considered more of a threat than nuclear weapons,' Johan Jorgen Holst, Defence Minister of Norway, explaining Norway's reservations about the decision. *International Herald Tribune* (Paris) 23 May 1986.

▲ Ministerial Council Meeting Halifax, Nova Scotia, 29-30 May 1986

■ Foreign ministers from NATO's member-countries attended a meeting of the North Atlantic Council dominated by the issues of East-West arms control. Chief among these was the announcement made by US President Reagan on 27 March 1986 concerning the Strategic Arms Limitation Treaty (SALT II) of 1979, which had

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never been ratified by the US Senate, but to which both sides ostensibly adhered. Alleging Soviet violation of the treaty, President Reagan had said that unless the Soviet Union rectified its transgressions, the US would no longer consider itself bound by it beyond the autumn of 1986. In the meantime, the US proposed to keep within its confines by dismantling two obsolete Poseidon submarines while beginning sea trials on a new Trident submarine, the *Nevada*.

US Secretary of State, George Shultz, defended Reagan's statement during the Council meeting, depicting SALT II as deeply flawed, in that it was obsolete restricting delivery missiles rather than warheads was unrati ed by the US and violated by the Soviet Union. Shultz particularly cited the creation of the Soviet SS-25 missile and the development of a system of coding data emitted by missiles in flight, thereby making them more difficult to track. The US position was apparently however, vociferously criticised by other NATO members, led by Canada, Britain West Germany and France. They were reported to have urged that SALT II be respected until a new arms agreement was concluded, on the basis that even a flawed treaty was better than none. They considered, moreover, that the gesture jeopardised progress in the Geneva arms talks (see above) and in arms control in general. While Shultz acknowledged the considerable criticism levelled against the US position, and his complete isolation amongst the other ministers, there was no apparent move in the US stance. He did, however, reaffirm US support for East-West arms control, and urged the Soviet Union to negotiate 'radical reductions' to replace the flawed SALT II.

The Council agreed to establish a high-level task force on conventional force reductions. Its object was to be the formulation of comprehensive though unspecified proposals for the Mutual and Balanced Force Reduction talks (MBFR) in Vienna, and for the Conference on Confidence- and Security-Building Measures and Disarmament in Europe (CDE) in Stockholm. Its aim was to accelerate both sets of talks, with the object of reaching an agreement in Stockholm by the beginning of September 1986. Its interim report would be presented to the NATO Council in October 1986 and a final report prepared for the December 1986 ministerial meeting in Brussels.³⁵

● SALT II is 'an important component in the process of arms control and we don't want that process to come unravell ed'. Sir Geoffrey Howe, British Foreign Secretary, questioning the US position on the treaty. *International Herald Tribune* (Paris) 31 May - 1 June 1986.

If the US breaks SALT II, 'that would not be endorsed by NATO and certainly not by the government of Canada'. Brian Mulroney, Prime Minister of Canada, before the meeting in Halifax. *The Guardian* (London) 30 May 1986.

WARSAW PACT

▲ Political Consultative Committee Meeting
Budapest, 10-11 June 1986

■ The summit was attended by the leaders of the Warsaw Pact's seven member-

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countries: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania and the Soviet Union. The main concern in the final communiqué was with disarmament, in both nuclear and chemical weapons. The summit also issued a statement to NATO member-states and all European countries, proposing a programme of conventional force reductions in Europe.³⁶

The communiqué contained the following proposals with regard to disarmament:

- a mutual US and Soviet moratorium on nuclear testing, and the negotiation of a test ban;
- liquidation of Soviet and US medium-range missiles in Europe, and a freeze on the nuclear arsenals of France and Britain;
- agreements at the bilateral Geneva talks on nuclear and space arms, and continued US observation of the Strategic Arms Limitation Treaty (SALT II);
- elimination of chemical weapons by the year 2000;
- conventional arms and armed forces reductions in Europe and globally;
- effective verification at all stages and in all fields.

In its address to NATO, the summit repeated a proposal first made by the Soviet leader, Mikhail Gorbachev, at the East German Communist Party Congress on 18 April 1986.³⁷ Gorbachev had proposed the enlargement of the zone included in the Vienna talks on Mutual and Balanced Force Reductions (MBFR) to encompass all territory 'from the Atlantic to the Urals'. He had also suggested including tactical nuclear weapons as well as conventional ones, in the purview of the talks. There was some speculation that the proposals for conventional arms reductions were designed to dispel European fears that cuts in the superpowers' nuclear weapons would leave Western Europe exposed to the threat of Soviet conventional military might. There were also proposals for verification, which had traditionally been one of the main obstacles to agreement at the Vienna talks.

The summit proposals included the following:

- NATO and the Warsaw Pact would each withdraw 100,000 to 150,000 troops from Europe over one or two years. The units would be disbanded and their armaments and equipment dismantled;
- The Warsaw Pact would be prepared to reduce its land and tactical air forces in Europe by 25 per cent by 1990 if NATO would do the same. This would entail cuts of around 500,000 men each;
- there should be accompanying cuts in tactical nuclear weapons (of a range of up to 1000 kilometres) stored in Europe. Their warheads would be destroyed;
- an international forum on conventional force cuts, involving European countries, the US and Canada, would be convened, and the MBFR framework broadened to encompass the larger regional area, and all European countries;
- discussion of the initiative could take place at the second stage of the Stockholm Conference on Security- and Confidence-Building Measures and Disarmament in Europe (CDE);
- verification of cuts would be by national technical means and international procedures, including on-site inspection.

Other issues mentioned in the final communiqué were: the forthcoming UN International Conference on Disarmament and Development, which was welcomed; making the Mediterranean a zone of peace; creating an international regime for the safe development of nuclear power, including the creation of a mechanism for

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prompt warning and supply of information; and enhancing the role of the International Atomic Energy Agency (IAEA).³⁸

● 'I may be wrong, but I think that until now the Americans have been using verification as a bluff . . . It increasingly appears that the United States and some other NATO members no longer have any interest in disarmament agreements.' Vladimir Petrovsky, Soviet Deputy Foreign Minister, present at the meeting. *The Guardian* (London) 12 June 1986.

IMF/WORLD BANK

▲ Intergovernmental Group of 24 (G24)
Special Ministerial Meeting
Buenos Aires, 6 March 1986

■ Finance and economic ministers of the Group of 24 developing countries met for the first time outside their usual schedule of meetings, which are normally immediately before the spring and autumn meetings of the IMF and World Bank. They were meeting at the suggestion of Juan Sourrouille, Argentina's Economic Minister, to assess the 'Baker Plan' on international debt, put forward by US Treasury Secretary, James Baker in Seoul in October 1986,³⁹ and review developments in preparation for the forthcoming spring meetings (see below).

President Raúl Alfonsín, who opened the meeting, said that notwithstanding strenuous adjustment efforts on the part of indebted developing countries, adjustment remained asymmetrical, in the absence of efforts by industrialised countries to coordinate their own policies. The ministers agreed on their criticism of the current *ad hoc* short-term adjustment approach to debt, as inappropriate to the severity of the crisis. While welcoming the Baker Plan, the ministers followed the Cartagena Group of Latin American debtors in qualifying their support.⁴⁰ Though the industrialised countries had recognised the political nature of the debt problem, and the need for growth, the ministers found the initiative insufficient in the face of debtor countries' current problems with declining oil prices and commodity export revenues. They stressed that the capacity to service debts would only improve if the transfer of resources to developing countries were increased and credit flows maintained. In particular, they advocated:

- increased multilateral lending;
- the creation of a new credit facility, or the expansion of the existing compensatory financing facility to alleviate the debt service burden due to historically high real interest rates, and including compensation for short-falls in oil export revenues;
- the reduction of interest rates on existing loans to the large debtor countries, thus endorsing a proposal by Argentina, first made at a Cartagena Group meeting in Punta del Este, Uruguay, in February 1986;⁴¹
- equal status between developed and developing countries within multilateral agencies.

The G24 also proposed that a subcommittee within the IMF and World Bank be established to prepare for an international monetary conference, which would have

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three basic themes: debt; capital transfers; and monetary reform. On specific means of improving concessionary flows to developing countries, they called for:

- an allocation of Special Drawing Rights (SDRs) of \$25bn–\$30bn in the next year, and a further allocation the following year;
- the terms and conditions of Trust Fund reflows to be the same as those of the original IMF Trust Fund;
- a minimum annual increase in World Bank lending of 6.2 per cent, necessitating a general capital increase for the World Bank;
- a substantial replenishment for the International Development Association (IDA), with no tightening of the conditions of its loans;
- a continued role for regional development banks;
- increased Overseas Development Assistance (ODA) from donor countries.

Regarding earlier reports of the Group of 10 (G10) and the Group of 24 on monetary reform, the ministers expressed disappointment that little progress had been made towards formulating specific proposals.⁴² The G24 suggested that a representative committee of ministers from developed and developing countries be established to follow up the reports. They stressed that it should take decisions by consensus, rather than on the basis of weighted voting.

The G24 was scheduled to meet again in April 1986 in New York (see below).⁴³

● The debt crisis does not result primarily from the domestic policies of debtor countries but from the impact of discriminatory and inflationary policies pursued by a majority of industrial countries on the balance of payments position of developing countries.' President Raúl Alfonsín of Argentina, opening the meeting. *IMF Survey* (Washington DC) 17 March 1986.

'Effective reform of the international monetary system should be discussed in the context of a conference in which debt and the flow of funds to developing nations must be included.' Juan Sourrouille, Argentina's Economic Minister and Chairman of the meeting. *International Herald Tribune* (Paris) 8–9 March 1986.

▲ Group of Twenty-Four (G24)

Ministerial Meeting

6–7 April 1986

Group of Ten (G10)

Ministerial Meeting

8 April 1986

IMF Interim Committee

Twenty-sixth Meeting

9–10 April 1986

IMF/World Bank Development Committee

Twenty-eighth Meeting 10–11 April 1986

Washington DC

■ The dominant issues at the mid-year meetings of the IMF and World Bank policy-making committees were debt and international economic coordination.

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no agreement could be reached on a new allocation of Special Drawing Rights (SDRs). Both committees, however, endorsed the IMF's creation on 27 March 1986 of a Structural Adjustment Facility (SAF) to provide balance-of-payments assistance to countries eligible for loans from the International Development Association (IDA). The \$3bn facility was formed from IMF Trust Fund reflows, and was to be backed by World Bank funding through IDA. India and China had agreed to refrain from using the facility, despite being eligible to do so on the grounds of their low per capita incomes.⁴⁸

In its own deliberations, the Development Committee⁴⁹ endorsed a major expansion in the size and scope of the World Bank's lending programme, urging the Bank to support growth-oriented adjustment programmes as well as investment projects. The Committee repeated its earlier view that the Bank 'should not be constrained by lack of capital or borrowing authority in meeting future demand', and most members favoured an immediate capital increase for the Bank, though the US remained unenthusiastic. The Development Committee also heard a progress report on the negotiations for the eighth replenishment of the International Development Association (IDA VIII). These negotiations had begun in Paris in January 1986 and continued on 7-8 April 1986 in Washington.⁵⁰ While a majority in the Development Committee favoured a sum of \$12bn for the World Bank's soft loan arm in the period 1987-90, difficulties in the IDA negotiations suggested that the replenishment might be in jeopardy. Japan, currently contributing 18.7 per cent of IDA's funds (compared with 5.19 per cent of the World Bank's capital) was threatening to make its contribution dependent on an increased shareholding in the World Bank, and on consequent increased voting power. It was not known whether such an increase would be forthcoming, but it seemed unlikely that the goal of \$12bn for IDA could be reached if Japan reduced its contribution.⁵¹

THE NORTH

▲ Group of Five (G5)

Meeting of Finance Ministers
Washington DC, 8 April 1986

■ Finance ministers and central bank governors from the Group of Five industrialised countries (Britain, France, Japan, West Germany and the US) held a closed session in the margins of the spring International Monetary Fund and World Bank meetings (see above).

The main subject of the discussions was reported to have been a tentative proposal by the US Treasury Secretary, James Baker, for the increased coordination of economic policies, beyond cooperation on exchange and interest rates, between the members of the group. The proposal was understood to entail the determining of medium-term objectives for each of the industrial economies, in such areas as growth, inflation and external balances, using 'objective indicators' to ascertain the compatibility of these goals, and their consistency with balanced world growth. The US was apparently in favour of the proposal not least as a means of reducing the US's

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record trade deficit. In this connection, James Baker was also reported to have emphasised the need for Japan and West Germany, with their large trade surpluses, to accelerate domestic growth, if the present pattern of exchange rates was to succeed in redressing global trade imbalances. Japan was equally under pressure from the other governments to allow the yen to appreciate further, and to ease its fiscal policy, as a means of increasing its imports and thus diminishing its trade surplus. While some support was reportedly lent to Baker's suggestion for increased economic policy coordination, notably by the British finance minister, Nigel Lawson, it was uncertain as to how governments could be prevailed upon to alter their policies if they were found to be incompatible. Japan and West Germany were notably sceptical of the proposal.

G5 also seemed likely to initiate another round of concerted cuts in short-term interest rates, though no definite time was suggested for such a round.⁵²

▲ Organisation for Economic Cooperation and Development (OECD)
Thirty-fifth Ministerial Council Meeting
Paris, 17-18 April 1986

■ Finance, foreign and trade ministers from the OECD's twenty-four member countries were presented at their annual meeting with an optimistic forecast for the world economy, following the decline in oil prices. They were unable, however, to resolve deep differences among themselves on two principal issues: economic strategies for Japan and Western Europe; and international trade, particularly in agriculture.

In a major speech to the meeting, US Treasury Secretary James Baker reassessed the prospects for a reduction in the US's record trade deficit. He first recalled the need to stem protectionist pressure within the US by redressing the country's external trade imbalance, as the rationale behind the 'Plaza Pact' of September 1985 on lowering the value of the dollar.⁵³ At the dollar's current rate of value, he continued, the US deficit could not be reduced to what he termed a 'sustainable' level without faster growth in Japan and Western Europe. He therefore urged the adoption of policies in these regions which would contribute to faster expansion of output, in preference to the alternative course of action, further depressing the dollar's value. Baker made clear that he was not advocating an increase in spending as a means of boosting output, but rather a relaxing of restrictive fiscal and monetary policies, including a lowering of taxes and interest rates, as a means of increasing investment, employment and consumer demand. The regions with large trade surpluses, Europe and Japan, however, resisted Baker's pressure to commit themselves to closing what he termed their 'growth gap' with the US. The final OECD communiqué⁵⁴ merely stated their agreement to take account of favourable trends in the world economy to promote stronger growth over the medium term while avoiding the re-kindling of inflation. The ministers did, however, agree to seek to intensify cooperation in eliminating current account imbalances between the principal economies, having promoted exchange rate stability at levels 'better reflecting' economic fundamentals.

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The Council met amidst growing tensions between the US and the EEC, triggered by the imposition by Spain and Portugal of EEC agricultural tariffs on 1 March 1986, as a condition of entry into the EEC on 1 January 1986. The US estimated that the cost of these tariffs in terms of US farm exports amounted to an annual sum of \$580m. It had consequently threatened to increase its tariffs and introduce quotas on EEC farm exports to the US, unless it was granted compensation, or the measures were removed. On 9 March 1986, the EEC had countered by threatening to retaliate against US farm exports to the EEC. While neither side indicated a softening of position at the meeting, the OECD communiqué acknowledged the shortcomings of domestic agricultural subsidies and protectionism, as inhibiting adjustment, and creating global over-supply. The ministers accepted the urgent need for strenuous efforts to reorient such agricultural policies.

On the subject of a new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT), the ministers agreed:

- to support the launching of a new round, but without acceding to US requests to specify the date as September 1986;
- to accept, tacitly, the inclusion of agricultural trade on the agenda (though there was no mention of the issue in the final communiqué);
- to seek maximum liberalisation in renegotiating the Multi-Fibre Arrangement (MFA), but without consenting to the inclusion of textiles in a new GATT round. Only a few governments acknowledged the goal of negotiation to be the full application of GATT rules to trade in textiles;
- to seek inclusion of 'trade-related aspects' of foreign direct investment and the protection of intellectual property. This wording was a compromise between the US, which wanted investment and patents and copyrights included unprovisionally under GATT, and the EEC, which warned against overloading the agenda of the new round.

Moves to make mixed credits in export financing more expensive and 'transparent' met with overwhelming opposition, particularly from Japan, and were abandoned.

In a section in the communiqué on relations with developing countries, the ministers emphasised the need for growth-oriented structural adjustment and expanding trade as means of resolving the problem of international debt. Welcoming the 'Baker Plan' on international debt, as a growth-oriented strategy on a case-by-case basis, they referred to the need to improve financing in the developing countries by mobilising domestic savings, stemming capital flight and attracting bank credits and foreign direct investment, which 'should play a more prominent role in future capital flows'. The ministers also recognised a need for the OECD countries to make the external environment more favourable for developing countries, by improving their own growth and adjustment; ensuring freer access to their markets; resuming export-credit cover to countries adopting effective adjustment policies; encouraging new investment in developing countries, and providing adequate financial flows on concessional terms. The plight of sub-Saharan Africa was particularly noted, with recommendations of growth-oriented policy reform, structural adjustment measures and more OECD aid through bilateral and multilateral channels.⁵⁵

● 'What we want to start with the [European] Community is a long-term process to negotiate not only our barriers but our reforms planned for agriculture . . . We

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desperately need to find a way to resolve the farm dispute before it erupts into some form of open warfare.' James Baker, US Treasury Secretary, at a press conference before the meeting. *International Herald Tribune* (Paris) 18 April 1986.

▲Twelfth Western Economic Summit

Tokyo, 4-6 May 1986

Leaders of the seven major industrialised countries (Britain, Canada, France, Italy, West Germany and the US) held their annual meeting in Tokyo.⁵⁶ They were joined by two EEC representatives: Jacques Delors, of the European Community Commission, and Ruud Lubbers, Prime Minister of the Netherlands, in his capacity as President of the European Council. Meeting in the wake of the US raid on Libya on 14 April 1986 and the accident at the Soviet Union's Chernobyl nuclear reactor on 25 April 1986, their discussions centred initially on political issues, and resulted in two statements and a political declaration. In international economic matters, though the summit was hailed by the US Treasury Secretary, James Baker, as marking the most significant development since the adoption of floating exchange rates in 1973, the leaders left fundamental disagreements unresolved in their final seventeen-point economic declaration.

The summit's joint statement on international terrorism incorporated six measures to be used against states sponsoring terrorist activities.⁵⁷ Of the summit countries, Britain alone had supported the US in its raid on Tripoli, though the EEC had belatedly imposed mild diplomatic sanctions against Libya on 21 April 1986. Despite strong reservations on the part of France and particularly Japan, the US and British leaders were able to secure consensus around a strongly worded declaration which explicitly named Libya as an offending state. The declaration confirmed the leader's condemnation of international terrorism, and deplored the increase in its levels since their last summit in Bonn in 1985.⁵⁸ The leaders pledged to make maximum efforts to combat it, combining national measures with international cooperation, particularly through such organisations as the UN, the International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO). They agreed to intensify their exchange of information on preventing terrorist activities, and specified voluntary measures for use by governments 'in respect of any state which is clearly involved in sponsoring or supporting international terrorism, and in particular of Libya'. These measures, to be applied within the framework of international law and national jurisdictions, were:

- a ban on arms exports;
- restrictions, reductions or closure of diplomatic and other missions;
- denial of entry to terrorist suspects excluded from other summit countries;
- improved extradition procedures;
- stricter immigration and visa controls for nationals of suspect states;
- close bilateral and multilateral cooperation between police and security organisations.

The clause on extradition was considered of particular importance by Britain, which was concerned that the US Senate ratify an Anglo-American treaty facilitating the extradition of Irish terrorist suspects. An initial US request for

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economic sanctions against terrorist states was soon abandoned, and France and Japan were reported to have questioned the legal competence of the summit to prescribe even the six measures in the statement. Notwithstanding the declaration, France and Japan subsequently restated their objections to US warplanes overflying their territories while on missions similar to the Libyan raid. While the British Foreign Secretary, Sir Geoffrey Howe, voiced his trust that the concerted summit declaration would make such military operations unnecessary in the future, US President Reagan was of the opinion that the statement in no way precluded further unilateral action.⁵⁹

The summit issued a further joint statement on the implications of the Chernobyl nuclear reactor accident.⁶⁰ Extending sympathy and offers of medical and technical assistance to those affected, the leaders reaffirmed their faith in nuclear power as an expanding source of energy. They declared the maintenance of safety and security to be an international responsibility for each country, which should provide prompt and detailed information in the event of any nuclear emergency or accident, particularly with transnational consequences. They urged that an international convention committing governments to exchange information on such events be formulated quickly. While reproaching the Soviet Union for failing to provide information over Chernobyl, they welcomed Soviet willingness to begin discussions with the International Atomic Energy Agency (IAEA).

There was no evidence in the declaration that the Soviet commitment to verifiable arms control was questioned on the basis of its closed response to information on Chernobyl, a link which the British government had apparently hoped to forge. Instead, the political declaration issued at Tokyo, which largely confined itself to a series of incontestable statements of general principle, called on the Soviet Union to 'negotiate positively' at the Geneva talks on Nuclear and Space Weapons.⁶¹ There was speculation that the hardline British attitude to the Soviet Union on arms control issues had been temporarily softened by a letter from the Soviet leader, Mikhail Gorbachev, to Margaret Thatcher, confirming his intention to participate in a second summit with President Reagan. The Soviet Union had previously cancelled a preparatory meeting for the superpower summit, in protest at the US raid on Libya, but the latest message was duly conveyed to President Reagan at the Tokyo summit.

The Tokyo Economic Declaration⁶² included an optimistic assessment of the past economic achievements of the industrialised countries, and of future prospects, given lower inflation and interest rates and the decline in oil prices. Listing continuing problems, however, it advocated the strengthening of 'procedures for effective coordination of international economic policy' with the explicit purposes of promoting non-inflationary growth, market-oriented employment incentives, freer trading and investment, and greater stability in exchange rates. The leaders reaffirmed the need to strengthen international surveillance of the major industrial economies, in cooperation with the International Monetary Fund (IMF). They agreed to review their policy goals and forecasts to determine their compatibility, on the basis of ten 'indicators': GNP growth rates; inflation rates; interest rates; unemployment rates; fiscal deficit ratios; current account balances; trade balances; monetary growth rates; reserves; and exchange rates. These indicators theoretically broadened the scope of international coordination far beyond the initial fields of cooperation in exchange and interest rates, and reinforced tentative agreements

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towards enhanced coordination and surveillance reached at the spring 1986 World Bank and IMF meetings in Washington DC and the Organisation for Economic Cooperation and Development (OECD) ministerial meeting in April 1986 in Paris (see above). The weakness, however, of the provisions for consequent action suggested differences between the leaders as to the real extent of the coordination they envisaged. The declaration invited the 'Finance Ministers and Central Bankers in conducting multilateral surveillance to make the best efforts to reach an understanding on appropriate remedial measures wherever there are significant deviations from an intended course'. While James Baker, the chief advocate of the scheme, was in favour of the formal international coordination of these aspects of national policy, Britain, West Germany and Japan were understood not to consider themselves bound in their national policies by international targets.

The chief disagreements occurred over exchange rates, and marked the virtual collapse of the consensus on exchange market intervention which had existed since the 'Plaza Pact' on lowering the value of the dollar in September 1985.⁶³ The US, backed by Britain, refused a Japanese plea to support the value of the dollar against the yen, made on the basis that the fall in the dollar had progressed far enough, and now risked pricing Japanese exports out of world markets as the yen rose. West Germany publicly supported the Japanese call for a halt in the slide of the dollar, affirming the belief that the Deutschemark and the yen were currently too high in value, and the two countries' export economies were consequently being damaged. The US interest, on the other hand, was in using the dollar-yen exchange rate as a tool for adjusting the trade imbalance between the US and Japan. The Reagan Administration advocated stimulating the export-oriented economies of Japan and West Germany, to make them more dependent on domestic demand for growth, and more receptive to US exports, thus reducing their trade surpluses and the US record trade deficit. Unable to reach agreement on whether to support or depress the dollar, the leaders merely reaffirmed the commitment made at the Williamsburg Summit in 1983, to intervene in exchange markets 'when to do so would be helpful'. The British finance minister, Nigel Lawson, apparently insisted on the deletion from the declaration of a reference to the desirability of 'predictable' exchange rates.

The summit agreed to the creation of a new 'Group of Seven' (G7) which would include Italy and Canada, the members of the summit resentful of their exclusion from the Group of Five (G5). France, Britain and the EEC were vigorously opposed to the move, for various reasons: the enlargement of the group might make it unwieldy, and decisions would increasingly be taken by the US, West Germany and Japan alone; the EEC's importance would be decreased in international currency talks because the G7 from which it was to be excluded would be taking important monetary decisions; and the division of responsibility between G5, G7 and the Group of Ten (G10) would be uncertain, particularly since G7, unlike G5, comprised only finance ministers not central bank governors and its powers in relation to some countries were therefore dubious. The compromise reached in the Tokyo declaration determined that the G7 would meet in the periods between annual summits and collectively monitor each others' economies with reference to the specified indicators, at least once a year. The G5 would continue as a group, including Canada and Italy when international economic and financial matters affecting them were being discussed.

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The leaders expressed the belief that their policies would help developing countries in so far as they strengthened the world economy in various ways. They also, however, encouraged those countries to adopt structural adjustment policies themselves, involving measures to mobilise domestic savings, encourage the repatriation of capital, invite foreign investment and promote free trade. The summit agreed specifically to support efforts to diversify the economies of developing countries and increase the amount of product processing in countries heavily dependent on primary product exports. It also endorsed the emphasis placed on private financial flows by the 'Baker Plan' on international debt.⁶⁴ It affirmed the importance of an early and substantial replenishment of the International Development Association (IDA); of a general capital increase for the World Bank (though without reference to its size, and merely 'when appropriate'); of the case-by-case approach to debtor countries, and of closer cooperation between the International Monetary Fund and the World Bank. Offering continued assistance to Africa, the summit stressed the importance of the special facility for sub-Saharan Africa and advocated the early use of the IMF Structural Adjustment Facility (SAF).

The declaration contained a commitment to halt and reverse protectionism and specifically advocated the inclusion in a new round of multilateral trade talks, under the General Agreement on Tariffs and Trade (GATT), of trade in services, intellectual property and foreign direct investment. Concern was expressed for redressing global agricultural surpluses, resulting partly from heavy domestic subsidies, but a move to include agriculture as a desirable issue in a new GATT round was reportedly vetoed by France. Agreement was reached, however, on encouraging studies of farm subsidies by the Organisation for Economic Cooperation and Development (OECD).⁶⁵

The next Western Economic Summit was scheduled for Italy in 1987.

● 'The dollar has fallen by 40 per cent against the yen and by 32 per cent against the D-mark since September. That is enough.' Gerhard Stoltenberg, West Germany's Finance Minister, backing the Japanese call for a halt to the slide in the dollar. *Financial Times* (London) 6 May 1986.

'We prefer to concentrate on ways to enhance international economic cooperation and coordination, rather than talking about intervention.' James Baker, US Treasury Secretary, opposing intervention to alter the value of the dollar. *International Herald Tribune* (Paris) 5 May 1986.

'We can take whatever action is necessary to curb, to stop and punish, if they are successful in a terrorist attempt, those who practise terrorism and the states who back and support it.' US President, Ronald Reagan, affirming after the summit the US right to take unilateral action against those it suspects of international terrorism. *Financial Times* (London) 8 May 1986.

'Verification is absolutely critical to the whole arms control process, and means that verification must be detailed and practicable. The difficulties we have on a civil accident have highlighted that particular point.' Margaret Thatcher, British Prime Minister, urging a link between Chernobyl and East-West arms control which was not taken up in the joint statement on the nuclear accident. *Financial Times* (London) 7 May 1986.

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suppliers, they criticised the EEC for attempting to limit access to their markets for the successful East Asian suppliers, while offering increased access to the poorer countries which would in any case be unable to increase production sufficiently to take advantage of larger quotas.⁶⁸

● 'The US has become the bad boy of these negotiations . . . Four years ago, when the MFA was last being renegotiated, the EEC was the bad boy. This time we can see light at the end of the EEC tunnel. It is the US that worries us.' Filipe Jaramillo, Head of the Colombian delegation and spokesman for the low-cost producer countries. *Financial Times* (London) 9 April 1986.

'GATT contracting parties will have to reconcile the new round and the MFA negotiations. We can't talk about liberalising trade in a new round and forget about textiles.' Arthur Dunkel, Director-General of GATT, concerned that the failure to liberalise the MFA could become an obstacle to a new GATT round. *South* (London) July 1986.

▲ ASEAN (Association of Southeast Asian Nations)

Ministerial Meeting

Nusa Dua, Bali, Indonesia, 29 April 1986

ASEAN-US Meeting

Nusa Dua, Bali, 1 May 1986

■ US President Ronald Reagan, on his way to the Western Economic Summit in Tokyo (see above), held brief talks with foreign ministers from the six ASEAN states (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) following a summit with the meeting's host, President Suharto of Indonesia. The talks were preceded by consultations among ASEAN's foreign ministers and, on 30 April 1986, by bilateral meetings between each of the ministers and the US Secretary of State, George Shultz.

Though intended as a means of briefing President Reagan on ASEAN's hopes for the imminent Western Economic Summit, the talks were to an extent overshadowed by the recent 'Libyan crisis'. The ASEAN states had each individually distanced themselves from the US raids on Libya on 14 April 1986. These moves, though apparently motivated to some degree by concern for ASEAN citizens working in Libya, and by recognition of the predominant Muslim influence in Indonesia, Malaysia and Brunei, had been a source of friction between the US and ASEAN countries. The US administration had explicitly rebuked Thailand for casting a decisive vote for a UN Security Council Resolution condemning the US raids, which would have been carried but for the vetoes of Britain, France and the US.⁶⁹ While none of the ministers reversed their positions in Bali, continuing to withhold their support from the US raids, they were silent on the issue, and went on to endorse Reagan's appeal to be launched in Tokyo, for international action to combat terrorism.

The US-ASEAN talks were dominated by economic and trade issues, ASEAN being the US's fifth largest trading partner, and its ministers having decided at their initial meeting together that their chief concern was with US protectionism.

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Particular concern was expressed for US restrictions on Southeast Asian textile exports, and the adverse impact of the US Farm Bill subsidising US rice exports, on the economy of Thailand, the world's largest rice exporter. The Indonesian Foreign Minister, Mochtar Kusumaatmadja, suggested in an opening statement that the US should further open its markets to ASEAN products, 'in line with the professed US policy to encourage free trade', and criticised falling levels of US direct investment in Indonesia. The US response, however, was to stress the need for domestic liberalisation, urging measures to create a more favourable environment for foreign capital, the opening of ASEAN's service industries to greater international competition, and stricter enforcement of copyright laws, to prevent the widespread copying of US goods. The ASEAN ministers were understood to have tried to impress upon President Reagan the need to help to revive flagging economic growth in Southeast Asia in order to avert the threat of possible gains by communist and radical Islamic groups, themselves inimical to US interests. This concern, together with appeals on protectionism, oil and commodity price support, and investment, was apparently voiced in a memorandum to President Reagan, to be conveyed to the Tokyo Summit. While a main US theme during the meetings was the Soviet military presence in Southeast Asia and the Pacific region, some ASEAN countries were opposed to what they saw as US attempts to deflect attention from the economic needs of the region. Differences in fact emerged in the strategic perceptions of the US and ASEAN, and among ASEAN members themselves. While Singapore and Thailand were united with the US in viewing the Soviet Union and Vietnam as the greatest threats to regional stability, Indonesia and Malaysia saw these threats as exaggerated, considering China to be more dangerous.

President Reagan expressed support for ASEAN's regional peace initiatives concerning Kampuchea, and was reported to have offered to raise the issue at his next summit with the Soviet leader, Mikhail Gorbachev. He did not, however, endorse the eight-point peace proposal announced in Beijing on 17 March 1986 by the President of the tripartite Coalition Government of Democratic Kampuchea (CGDK), Prince Norodom Sihanouk. This proposal was formally endorsed by the ASEAN ministers at their meeting on 29 April 1986, and advocated a two-phase Vietnamese troop withdrawal, with talks between the CGDK and Heng Samrin, after the first phase, aimed at setting up a four-party interim government in Kampuchea.⁷⁰ The proposal had, however, already been rejected by Vietnam, on the basis that it would not talk to the CGDK, though it would to ASEAN, and the US emphasised the need for the total withdrawal of Vietnamese forces, and for free, UN-supervised Kampuchean elections. Shultz also reaffirmed support for the CGDK, while denouncing the Khmer Rouge, despite ASEAN objections that indulging in such criticism merely played into the hands of Vietnam, increasing the likelihood of its continued presence in Kampuchea.

While predictably little public attention was directed by the US at the host country's human rights record, the Indonesian government's treatment of the foreign press inevitably provoked some comment on its restrictions of human rights and of press freedom. Two Australian journalists travelling with the White House party had first been detained and then deported, in retaliation for the printing of an article in the *Sydney Morning Herald* on 10 April 1986, alleging corruption by Suharto and his relatives. The US raised the issue of human rights violations in East

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Timor, and addressed a few words of criticism at the Indonesian government, for certain of its restrictive practices. Shultz, however, went on to praise the country's economic record, and relayed assurances from President Suharto that more resources would be spent on the development of East Timor.

In another bilateral meeting, the US reacted coldly to demands for US aid for the Philippines far beyond the \$150m so far promised. Salvador Laurel, the new Philippine Vice-President and Foreign Minister, also called for personal assurances of support from President Reagan, whose commitment to the new regime led by Corazon Aquino he called into question. Shultz, while professing US support for the regime, objected that the US did not have the capacity to fulfil the apparently 'infinite' needs of the Philippine government, and suggested that its first move should be to enact appropriate domestic reforms.⁷¹

The ASEAN ministers decided to hold their third summit in Manila, in July 1987.⁷²

● 'The chances of Muslim fundamentalist groups increasing their support must be taken as a natural consequence of slower growth and less employment,' Lee Kuan Yew, Prime Minister of Singapore, warning of the need to revive economic growth in the region. *International Herald Tribune* (Paris) 26-27 April 1986.

'Communism never came to us in big ships. Big bases and big war ships are manifestations of big power rivalry, whether communist or not. How can you condone Subic and deny Cam Ranh? I feel no threat from either,' Mochtar Kusumaatmadja, Foreign Minister of Indonesia, taking issue with the US emphasis on the Soviet military presence in Southeast Asia, and comparing the US military base in the Philippines with that of the Soviet Union in Vietnam. *International Herald Tribune* (Paris) 30 April 1986.

'When President Suharto came into office there was a great deal of starvation in Indonesia. They're now self-sufficient in rice and I think that's basically a great victory for human rights,' George Shultz, US Secretary of State. *Far East Economic Review* (Hong Kong) 15 May 1986.

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▲ Non-Aligned Movement (NAM)

Coordinating Bureau: Ministerial Meeting
New Delhi, 16-20 April 1986

■ The final NAM ministerial meeting before the Non-Aligned summit in Harare in August 1986 was attended by foreign ministers from 100 countries. Also present at the meeting, which issued a political and an economic declaration, were twelve observers and twenty guests.

The meeting was overshadowed by the US raid on Libya on 14 April 1986. A communiqué issued after an emergency session on 15 April 1986 condemned the raid as a 'dastardly, blatant and unprovoked act of aggression', and denounced Britain for its support and collaboration. Declaring its full support for Libya, the session called on the UN Security Council to support the NAM's stance on the raid, and to ensure

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'full and prompt compensation' for Libya. It also despatched a six-member delegation to Tripoli, to convey the NAM's solidarity with the Libyan people. The conference went on to condemn terrorism in all its manifestations, whether perpetuated by individuals, groups or states. It called on all countries, particularly those in the West, to forbid the recruitment, use, financing, training, transit and directing of mercenaries in various parts of the world. The US was singled out for criticism for its 'immoral and illegal' funding of subversive activities in Nicaragua. At the same time, the declaration pointed out that 'the legitimate struggles by people under colonial and racist regimes and other forms of foreign domination and occupation and of their national liberation movements against their oppressors' could not be equated with terrorism. Specifically mentioned in this context were the liberation movements of South Africa, Namibia and Palestine.

In their economic declaration, the NAM ministers condemned the use of economic measures by some developed countries as a means of exerting political pressure on developing countries. These trade restrictions, blockades, embargoes and sanctions, or the threat of sanctions, were incompatible with the UN Charter, they said. They reaffirmed their commitment to resist such threats. Concern was expressed about widening economic disparities between developed and developing countries, and particularly about the situation in Africa. The ministers agreed in principle to establish a standing ministerial committee of the NAM and other developing countries, to promote and coordinate the North-South economic dialogue, and prepare a common position for the forthcoming ministerial meeting of the GATT in Uruguay in September 1986. The committee was expected to be set up at the NAM summit in Harare. The declaration also advocated the establishment of an international monetary system which would ensure stable exchange rates.

No statement could be agreed on the Gulf War, though a renewed appeal was made to both sides to end the conflict. Even this appeal provoked the Iranian Foreign Minister, Ali Akbar Velayti, to walk out of the meeting, protesting that the appeal had equated the two antagonists, failing to condemn Iraq as the aggressor, and for its use of chemical weapons. He was reported to have said that while Iran would remain an active member of the NAM, the organisation's unity was threatened by its policy of taking decisions by consensus.

In addition, the conference accepted a statement by Argentina that the nuclear non-proliferation regime should not be made a pretext for preventing states from developing peaceful uses of nuclear energy; criticised Western countries for using their financial power in an attempt to weaken the role of the UN; reiterated their urgent call for a political settlement in Afghanistan based on the withdrawal of foreign troops; reaffirmed their belief that the sovereignty of the Falklands/Malvinas lay with Argentina and not Britain; welcomed the Soviet Union's comprehensive proposals for nuclear disarmament, whose objectives and priorities were thought to accord with those of the NAM;⁷³ reaffirmed the principle of outer space as a common heritage of mankind, to be used only for peaceful purposes; and reaffirmed their resolve that Antarctica should not become the object of international disputes, but should remain accessible to all countries.⁷⁴

The conference took note of Nicaragua's request to host the NAM summit in 1989.⁷⁵

● India finds it 'reprehensible that a permanent member of the Security Council

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has taken the law into its own hands.' Rajiv Gandhi, Prime Minister of India and Chairman of the NAM, commenting on the US raid on Libya. *Financial Times* (London) 16 April 1986.

▲ Arab League

Ministerial Meeting

Fez, Morocco, 30 April–1 May 1986

■ Seventeen foreign ministers from the Arab League's twenty-one member-states attended a meeting at the invitation of King Hassan II of Morocco, to discuss the convening of a summit following the US raids on Libya on 14 April 1986. The four absent members were Bahrain, Lebanon, North Yemen and Syria.

Disagreements occurred over the prospective agenda of the summit. A group of states led by Libya and Syria, and including Algeria, South Yemen and Sudan, wanted the summit to confine itself exclusively to discussion of the US raids. A majority of states, however, including Iraq, Jordan, Morocco and Saudi Arabia, as well as the representative of the Palestine Liberation Organisation (PLO), wished to include 'all aggressions against the Arab nation'. Many of these more 'conservative' Arab states had made no audible response to the US raids. They wished to include on the agenda of the summit a focus on the Gulf War, in which they supported the Arab League member Iraq, as well as consideration of the Palestinian problem and Lebanon's predicament, particularly the fact of continued Israeli control through proxy forces on the southern border. The 'radical' states, supporters of Iran in the Gulf War, were, however, adamantly opposed to its inclusion on the summit agenda, and to the consequent diminution of the importance of the US raids.

The meeting broke up in deadlock, with a brief final communique postponing the convening of a summit until after Ramadan. The attempt to achieve a consensus had apparently not been helped by a Libyan proposal to host the meeting at the oasis of Sabha, rather than its being held in Morocco. It was reported that a majority of Arab League member-countries were still prepared to participate in a summit, but that King Hassan had cancelled his plans to host the meeting. He was said to be unwilling to hold it in the absence of at least minimal consensus among the member-states. There was also speculation that, as a US ally, he would be reluctant to host a meeting in which the key issue on the agenda was likely to be vociferous condemnation of US actions against Libya.⁷⁶

● 'One can say there is general consensus on holding a summit. The only problem is to fix the agenda for that summit.' Abdellatif Filali, Foreign Minister of Morocco, summing up the outcome of the meeting. *International Herald Tribune* (Paris) 3–4 May 1986.

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▲ Organisation of Petroleum Exporting Countries (OPEC) Reconvened Extraordinary Ministerial Conference Geneva, 15–21 April 1986

■ The seventy-seventh conference of OPEC's thirteen oil ministers reconvened after its session in March 1986⁷⁷ to reconsider the level of OPEC's overall production, and its members' percentage shares. The initial sessions were, however, dominated by discussion of the US raid on Libya on 14 April 1986. A proposal by the Libyan oil minister, Fauzi Shakshouki, for the imposition of an OPEC oil embargo against the US was apparently rejected as an item on the agenda. The majority issued a statement, however, which condemned the attack against an OPEC member-country, and, extending condolences to Libya, expressed concern for the US actions 'which are against international law'.⁷⁸ Ecuador, Gabon, Indonesia, Nigeria and Venezuela while not voting against the statement, abstained on the grounds that a decision would require prior consultations with their governments.

The extraordinary conference had been adjourned for three weeks ostensibly to allow ministers to consult their governments on a proposal by the Indonesian Minister of Mines and Energy, Dr Subroto. The proposal was for an average OPEC output ceiling of 16m barrels per day (b/d) in 1986, reduced to 14.5m b/d in the second quarter. In practice, however, this proposal had already failed to gain support at the March 1986 meeting, and new proposals for output ceilings varied widely from 13m b/d to 18m b/d. The differences reflected the continuation of deep divisions within the organisation. The consensus forming among a majority of ministers was that rather than attempting to fix a low seasonal ceiling for the second quarter of 1986, for which sales commitments had already been made, OPEC should determine a realistic annual level which would be high enough to accommodate the individual quota demands of its members. This view was strongly promoted by Saudi Arabia, Kuwait and the United Arab Emirates (UAE). In their case it signified a continuing commitment to the OPEC decision of December 1985⁷⁹ to concentrate on recapturing a 'fair share' of the global oil market, rather than on restraining OPEC production in order to maintain high oil prices. At the time of the conference, OPEC's output was estimated at 17m–17.5m b/d, in contrast to the official ceiling of 16m b/d, left in abeyance by the new strategy. Crude oil prices, meanwhile, had fallen by over 50 per cent. The proponents of the new approach hoped that the fall in prices as a result of OPEC abandoning its role as residual supplier, would induce non-OPEC producers to restrain their own output in the interests of market stability, thereby creating a 'fairer' distribution of the world oil market.

Poorer and more populous states, however, were proving less patient in the face of the steep decline in prices, and correspondingly in their revenues. The three 'radical' members, Algeria, Iran and Libya, which had all had reservations about the original decision to re-order OPEC's priorities, were now calling for an immediate defence of OPEC's official price of \$28 per barrel, through a sharp reduction in OPEC's output. Iran's proposal was for a ceiling of 13m b/d.

Unable to reach unanimous agreement, the conference decided by a majority of ten to three in favour of increasing OPEC's official production ceiling to 16.7m b/d. In the third quarter of 1986 it would be 16.3m b/d and in the fourth quarter, 17.3m b/d. The majority agreed that actual production would gradually be cut back to these levels, with effect from 1 July 1986. Meanwhile, a ministerial group was to be

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formed, consisting of Indonesia, Kuwait, Nigeria, Saudi Arabia and Venezuela, to make contact with non-OPEC oil producers, and assess their possible cooperation in restoring the stability of the market. They would then report to the next conference in June 1986 in Brioni. The dissenting countries, Algeria, Iran and Libya, suggested their own alternative ceilings of 14m b/d in the second quarter, 14.5m b/d in the third and 16.8m b/d in the fourth. Dismissing the decision as signifying a continuation of the oil price war, the Iranian oil minister, together with the other dissenting countries, objected that only unanimous OPEC decisions would be considered binding. It was understood, however, that the implementation of the new production limit depended on the agreeing of individual members' quotas, and a decision on that vexed issue was postponed until the Brioni conference.⁸⁰

● 'Great damage has been done to the North Sea's prospects. OPEC's worries about the North Sea may be smaller than they were in the past.' Sheikh al-Khalifa al-Sabah, Kuwait's Oil Minister, expressing confidence in the potential for OPEC/non-OPEC cooperation. *The Guardian* (London) 22 April 1986.

'We are dissociating ourselves from these proposals because these proposals mean the continuation of a price war.' Gholamreza Aghazadeh, Iran's Oil Minister. *The Guardian* (London) 22 April 1986.

'We have sacrificed tremendously . . . I don't think we can go on much longer.' Javier Espinosa Teran, Ecuador's Oil Minister, pointing to the costs of the OPEC 'fair share' strategy. *The Times* (London) 23 April 1986.

▲ OPEC

Meetings of Five OPEC Oil Ministers

Taif, Saudi Arabia 23–25 May 1986

Brioni, 23 June 1986

Seventy-eighth Ministerial Conference

Brioni, Yugoslavia, 25–30 June 1986

■ Oil ministers at OPEC's ordinary conference deliberated on three main issues: price strategy; overall production levels in view of an unexpected increase in demand for OPEC crude and an OPEC production surge in early June 1986 to 18.5m–19m barrels per day (b/d); and individual members' output quotas. Observers attended from Angola, Egypt, Malaysia, Mexico, Norway and Oman.

The conference was presented with a report by a group of five oil ministers from Indonesia, Kuwait, Nigeria, Saudi Arabia and Venezuela, with the addition of the UAE. This group had been formed by OPEC's extraordinary conference in April 1986 (see above) to assess the potential for cooperation with non-OPEC oil producers and to consider OPEC's options accordingly. The group concluded that its contacts with Brunei, Egypt, Guyana, Malaysia, Mexico and Oman suggested a willingness on the part of these non-OPEC countries to cooperate in restraining their production, provided that OPEC did the same by maintaining its output in the fourth quarter of 1986, at around 17.5m b/d. Malaysia had specifically offered to cut its production by 10 per cent if accompanied by OPEC controls, and Norway, in an important development since the last meeting, had suggested that it too would be prepared to cooperate with OPEC to stabilise the market if OPEC adopted a more

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realistic production policy.⁸¹ This move effectively left Britain, the other key North Sea producer, isolated in its refusal to control production, a fact for which it was sternly criticised at the conference. The group recommended a target price of \$17–\$19 per barrel in an immediate effort to stabilise the market, with the ultimate goal of a return to the official OPEC price of \$28 per barrel only in the 1990s probably after 1995. The group seemed to agree that lower OPEC prices had boosted demand for OPEC oil and restricted the output of non-OPEC competitors more rapidly than had been foreseen. In view of this fact, they thought that the increase in demand for OPEC oil over the next few years would be sufficient to accommodate the quota needs of OPEC's members.⁸²

The conference at Brioni elected a new President, the Nigerian Oil Minister Rilwanu Lukman, to replace Arturo Hernández Grisanti, Venezuela's Oil Minister. A majority of OPEC's thirteen ministers tentatively accepted a target price range of \$17–\$20 per barrel for late 1986, and nine members agreed that the desirable OPEC production ceiling would be 17.4m b/d in the third quarter and 17.9m b/d in the fourth, making an annual average of 17.6m b/d. In view of the increase in demand and possible voluntary cuts by non-OPEC exporters of between 500,000 and 700,000 b/d, they felt that this level would be compatible both with global consumption and the achievement of the target price range by the end of 1986. The members dissenting from this opinion included Algeria, Iran, Libya and also Gabon. They abstained rather than voting against the proposals, however, leading to speculation about a more concessionary posture on the part of the three 'radicals'.

The main problems arose when the conference moved on to consider individual quotas. Algeria and Gabon, which had dissented from the earlier decisions, summarily refused to discuss quotas. Iraq and UAE renewed their demands for huge increases in their own output levels, and Iran repeated its threat to produce two extra barrels for every barrel granted Iraq over its existing quota. In sum, the members' quota demands totalled 20–21m b/d, far beyond the overall output ceiling agreed by the majority. Unable to reach agreement on quotas, the ministers adjourned to consult their respective governments on a confidential proposal by the Indonesian Minister of Mines and Energy, Dr Subroto, for sharing an average OPEC production level of 17.6m b/d. Despite a tentative agreement to restrain production until the next conference, on 28 July 1986 in Geneva, several ministers said that they would limit their output only if others did. The final communiqué announced the revival of a ministerial committee on long-term strategy, consisting of the oil ministers of Algeria, Iraq, Iran, Saudi Arabia and Venezuela, with the addition of Indonesia and Nigeria. It was to consider further means of achieving OPEC's stated goal of retrieving a 'fair' market share.⁸³

● If OPEC nations reach agreement on measures which can stabilise oil prices at a reasonable level, the government will contribute to such price stability, which in turn can ensure secure oil and gas supplies in the future.' Gro Harlem Brundtland, Prime Minister of Norway, to the Norwegian Parliament. *International Herald Tribune* (Paris) 14 May 1986.

'Britain must realise that it is in the same boat as OPEC. It needs high prices.' Rilwanu Lukman, Nigeria's Oil Minister, and newly elected President of OPEC, on the need for Britain to follow Norway in cooperating with OPEC to limit production and maintain high prices. *The Times* (London) 30 June 1986.

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'If there is a one in a hundred chance to put an end to the extremely visible degradation of OPEC, we will do everything necessary.' Belkacem Nabi, Algeria's Energy Minister, recognising the need to secure agreement within OPEC. *The Guardian* (London) 25 June 1986.

▲ Organisation of Arab Petroleum Exporting Countries (OAPEC)

Thirty-sixth Ministerial Council Meeting

Kuwait, 6 May 1986

■ OAPEC's regular session was attended by four ministers (from Iraq, Kuwait, Saudi Arabia and Syria) and senior oil officials from six countries (Algeria, Bahrain, Libya, Qatar, Tunisia and UAE). It was dominated by financial problems arising as a result of declining oil revenues and consequent budgetary cut-backs.

The major issue at the meeting was the notification of withdrawal from OAPEC, submitted by Tunisia in early February 1986. The reasons cited were Tunisia's inability to meet its financial obligations towards the organisation, and the declining role played by oil in the economy of the country. After discussions before the meeting, however, Tunisia was prevailed upon to withdraw its request, with further consultations planned before the next OAPEC ministerial meeting.

The subject of the persistent failure of Tunisia, Syria and Iraq to maintain their contributions to the organisation was also raised at the meeting, as was non-payment by five other OAPEC states for the current year. This issue, together with a Syrian proposal for drastic cuts in OAPEC's future budgetary allocations, was to be raised at the autumn session of OAPEC. This was to be held in Kuwait on 3 December 1986.⁸⁴

▲ Contadora Group-Lima Support Group-Central American Countries

Meeting of Foreign Ministers

Panama City, 5-7 April 1986

Contadora Group-Central American Countries

Meeting of Deputy Foreign Ministers and Plenipotentiary Representatives

Panama City, 17-18 May 1986

■ Foreign ministers from the Contadora Group (Colombia, Mexico, Panama, Venezuela), its Support Group (Argentina, Brazil, Peru, Uruguay) and the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) were unable to agree a common statement of commitment to negotiations for a Central American Peace and Cooperation Treaty. Their meeting in April 1986, extended for a day in an attempt to resolve deep disagreements, collapsed amid mutual recriminations.

Negotiations for a Central American peace treaty had been suspended in December 1985, until May 1986, to await the outcome of forthcoming elections in Honduras, Guatemala and Costa Rica. At the time of their suspension, the negotiations had failed to resolve two contentious issues: military manoeuvres and

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arms control.⁸⁵ The meeting in Panama City in April 1986 was convened by the Contadora Group, in a climate of rising hostility within the region, with the intention of breaking the deadlock on those issues before the negotiations resumed.

It became apparent in Panama City, however, that the differences between the positions of Nicaragua and the other four, relatively pro-US Central American countries would persist. Nicaragua's Foreign Minister, Father Miguel d'Escoto Brockman, presented the Nicaraguan case for refusing to sign a treaty to disarm without simultaneous assurances from the US that it would cease to support the anti-Sandinist 'contra' guerrilla war in Nicaragua. He was reported to have said that for Nicaragua to sign a pledge of demilitarisation in the absence of a similar pledge from the US would be suicide. The only peace agreement possible, he said, would be in the 'spirit and framework of the Caraballeda Document'. This document, produced at an earlier Contadora meeting and endorsed by all Central American governments, called for an end to foreign support for irregular forces in the region as an essential part of an integrated peace programme.⁸⁶ Moreover, the Nicaraguan government rejected the US contention that the draft treaty's provisions for 'national reconciliation' necessitated talks between the Sandinist government and the US-backed 'contra' guerrillas. Instead, it called for direct negotiations between Managua and Washington.

The response of the other Central American countries appears to have been to deny the linkage of regional demilitarisation with the cessation of aid to the 'contras', and to claim that Nicaragua's demands fell outside the framework of the Contadora negotiations.⁸⁷ The Contadora countries themselves were, however, unanimous in their opposition to US aid for destabilising forces in the region, and attempted to impress upon three US Democratic Congressmen, present at the meeting, the need to postpone an impending Congressional decision on the granting of \$100m in aid to the 'contras'.⁸⁸ Meanwhile, the Contadora and Support Groups presented the Central American countries with a document supporting intensive negotiations with a view to achieving the signing of the treaty by 6 June 1986. The 'Panama Commitment' was signed by twelve of the ministers present, and not by Nicaragua, which rejected the deadline set unless further concessions were made. The Central American governments were also requested to confirm within eight days their willingness to sign the treaty on 6 June 1986 by which time all had done so, with the exception of Nicaragua.⁸⁹

A first round of resumed negotiations took place in Panama City in May 1986, following a preliminary meeting of Contadora deputy foreign ministers on 2-3 May 1986, which prepared a timetable and strategy for the talks. Attending the negotiations were the Contadora Group's deputy foreign ministers, and plenipotentiary representatives from the Central American countries. Victor Hugo Tinoco, Nicaragua's Deputy Foreign Minister, presented official new proposals on the issues of military manoeuvres and arms control. They included suggestions that:

- the performance of national military exercises should be at least 30km away from the borders of other states' territories, and corresponding notification should be given at least thirty days in advance.
- International military exercises, including those with troops belonging to countries outside the region, must be suspended completely, and no later than thirty days after the signing of the treaty if currently under way.

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- Limits and controls on the number of offensive weapons should be negotiated to establish a reasonable balance of forces in the area, defined as the size of the offensive military force needed by each state to defend its national territory against an external aggression.
- The purchase of all weapons deemed to be offensive in nature should be suspended for 180 days, except for replacements, ammunition and spare parts for existing equipment.
- Each country would simultaneously give their current inventories of offensive arms to the verification and control commission 30 days after signing the treaty.

The proposals entailed a distinction between offensive and defensive weapons, the latter being free from restrictions, just as the Sandinist militia would be excluded from troop reductions.

These proposals were not formally replied to at the meeting, though they were received with scepticism.⁹⁰

● 'We will not sign anything, we won't hand in one rifle, we will not disarm while the US abundance and shameless assistance to the counter-revolutionaries persists.' Father Miguel d'Escoto Brockman, Foreign Minister of Nicaragua. *The Times* (London) 9 April 1986.

'Nicaragua rejected everything that was presented to it. There is nothing left to talk about.' Rodolfo Castillo Claramount, Vice-President and Foreign Minister of El Salvador. *International Herald Tribune* (Paris) 8 April 1986.

▲ Latin American Summit

San José, Costa Rica, 8-9 May 1986

■ The Latin American Summit was attended by the Presidents of ten countries: Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Panama, Peru and Uruguay. Nine heads of state were in San José attending the inauguration on 8 May 1986 of the President-elect of Costa Rica, Oscar Arias Sanchez. Though President Daniel Ortega Saavedra of Nicaragua had been invited, he did not attend, possibly in order to avoid the threat of disturbances by anti-Sandinist Nicaraguans in Costa Rica.

The presidents signed a document covering peace in Central America, and Latin American external debt. It urged the Central American governments to sign the Contadora treaty on 6 June 1986, and advocated the withdrawal of all foreign military forces from the region as soon as possible. On debt, the presidents stated that:

- Latin America and the Caribbean need better conditions in renegotiating their foreign debts;
- international organisations should make their collection procedures more flexible;
- Latin America and the Caribbean must not allow their people's development to be affected by coercive measures.

It was reported that attempts by the Contadora Group to secure guarantees of the principle of non-intervention, in order to encourage the signing of the peace treaty in

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June 1986, had been frustrated by the Central American countries present. The summit was generally regarded as having failed to lend impetus to the regional peace process.⁹¹

▲ Central American Summit

Esquipulas, Guatemala, 24–25 May 1986

■ Central American presidents met at the invitation of the Guatemalan leader, for their first summit since the Sandinist government came to power in Nicaragua in 1979. Those attending were Oscar Arias Sanchez of Costa Rica, José Napoleón Duarte of El Salvador, Marco Vinicio Cerezo of Guatemala, José Azcona Hoyo of Honduras and Daniel Ortega Saavedra of Nicaragua.

The main achievement of the summit was a formal agreement to create permanent Central American Parliament. According to the 'Declaration of Esquipulas',⁹² signed at the summit, the members of the regional parliament were to be freely elected by direct universal suffrage, within a system of political pluralism. The vice-presidents were to propose within thirty days the creation of a commission which would in turn draft the details of the parliament within ninety days.

The summit's success with regard to the Contadora peace process, to which it was intended to give a fillip, was not so marked. While the presidents recorded their desire to sign the peace treaty, they acknowledged that issues remained to be resolved, including those of military exercises, arms control and verification. The declaration also omitted to mention the Contadora deadline for the signing of the treaty, of 6 June 1986, in tacit recognition of the fact that in view of the impossibility of fulfilling the deadline, postponement would be preferable to jeopardising the entire Contadora process, through showing it to be ignored.

It was reported that the summit contained much discussion on the nature of 'pluralist democracy', with differences being registered on the subject between President Ortega and the other leaders. A phrase referring to the attending presidents as 'freely elected by the will of the majority' was apparently deleted from the draft communiqué at the insistence of Costa Rica, on the basis that the Nicaraguan elections had been dubiously democratic. The change occurred despite the phrase having been approved during a preparatory meeting of the Central American vice-presidents on 5 May 1986 in Guatemala City, leading to speculation that the Costa Rican objection had been prompted by the interim application of US pressure.⁹³

● 'We reject the notion that we should be the field of battle to resolve differences in other parts of the world.' President Vinicio Cerezo of Guatemala, protesting against outside intervention in Central America. *The Times* (London) 26 May 1986

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▲ Contadora Group-Central American Countries

Meeting of Deputy Foreign Ministers and Plenipotentiary Representatives
Panama City, 27-29 May 1986

Contadora Group-Lima Support Group-Central American Countries

Meeting of Foreign Ministers
Panama City, 6-7 June 1986

■ The thirteen foreign ministers of the Contadora and Support Groups and the Central American countries convened in June 1986 following a second, inconclusive round of negotiations in May 1986. The Contadora countries and the Support Group presented the five Central American foreign ministers with a revised draft treaty on peace and cooperation in Central America, and with the 'Declaration of Panama', containing a series of recommendations on future approaches to the region's problems.⁹⁴

The draft treaty contained an account of the Contadora negotiations over the previous two years, and recorded the residual disagreements over arms control, military exercises and verification. It contained some new proposals, construed as compromises between the positions of Nicaragua on the one hand, and the other Central American countries on the other. It proposed that no country should be disarmed while under military threat, and proposed limiting military strength not equally for all countries, but according to national security needs, size, population, geographical characteristics and military spending relative to Gross National Product (GNP).

The Declaration of Panama included the observations that:

- the latest draft treaty proffered by the Contadora Group would be the last;
- the Contadora Group would wait to be convoked in future by the Central Americans themselves, rather than acting as an independent mediator;
- Central America was now obliged to exercise its own political will in order to adopt decisions regarding the region.

The Contadora Declaration also recommended:

- the departure from the region of foreign forces, and an end to the support of groups seeking to overthrow governments in the region;
- an end to the use of territory in the region as a base for aggression against other countries;
- the prohibition of membership of military or political alliances that threaten peace and security in the region.

The Contadora Group's draft peace treaty was rejected by Costa Rica and El Salvador, whose foreign ministers cited its inadequate verification measures as the reason for dismissing it. Honduras, too, voiced its opposition to the draft. Subsequently, on 21 June 1986, the Nicaraguan government declared its support for the document as a basis for peace in Central America, together with its readiness to sign it.⁹⁵

● The draft treaty 'has no mechanism for verification and control in relation to agreements in the military, political and arms control area'. Madriga Nieto, Foreign Minister of Costa Rica, rejecting the draft. *International Herald Tribune* (Paris) 13 June 1986.

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'We're going to leave aside the fraternal tutelage of friendly nations that committed themselves to this effort.' Rodolpho Castillo Claramount, Foreign Minister of El Salvador, rejecting the draft treaty, and hinting at the possible abandonment of the Contadora process itself. *The Guardian* (London) 13 June 1986.

▲ Organisation of African Unity (OAU)

Council of Ministers: Fifteenth Extraordinary Session

Addis Ababa, 30-31 March 1986

■ A special session of the OAU Ministerial Council examined and approved a document to be submitted to the Special Session of the UN General Assembly on Africa's Economic and Social Crisis, in May 1986. The document,⁹⁶ formulated by the OAU and the UN Economic Commission for Africa (ECA), contained an analysis of the critical situation in Africa, with a summary of the conclusions and proposals; an analysis of the African Priority Programme for Economic Recovery 1986-1990 (APPER), first adopted at the OAU Summit in Addis Ababa in July 1985;⁹⁷ and synoptic country profiles. (For details of the report and the UN session on Africa, see above.)

Adopting the document, the ministers emphasised the need for concerted efforts to disseminate its contents as widely as possible. Such efforts would help to ensure that it would be understood and accepted at the forthcoming UN Session. Arrangements were made for it to be presented to the meeting of the Non-Aligned Movement (NAM) in New Delhi in April 1986 and to the Western Economic Summit in Tokyo in May 1986. (See above.)

Morocco's position was noted, as it objected to all references in the document to the Saharan Arab Democratic Republic (SADR), on the basis that SADR was not a member of the ECA. OAU representatives stressed, however, that the document was an OAU submission rather than an ECA document.⁹⁸

▲ Communauté Economique de l'Afrique de l'Ouest (CEAO)

Eleventh Summit

Ouagadougou, Burkina Faso, 26-27 March 1986

■ The summit of the francophone Economic Community of West Africa was attended by the heads of state and government of its seven member-states: Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger and Senegal. Also present were the President of Guinea and the Foreign Minister of Togo, as observers.

The eleventh summit had been deferred several times in what was manifestly a turbulent period of CEAO's existence. At the previous summit in Bamako in October 1984, three prominent CEAO officials, Mohamed Diawara, Moussa N'Gom and Moussa Diakite, had been arrested for embezzling a total of CFA Fr6.5bn from FOSIDEC, CEAO's Solidarity and Intervention Fund for the Development of the Community. The course of their trial by a People's

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Revolutionary Tribunal (PRT) in Burkina Faso coincided with the eleventh summit.⁹⁹ In October 1985, the CEAO was further disrupted by the declaration of its Secretary-General, Driss Keita, as *persona non grata* in Burkina Faso, following his alleged criticism of the revolution there, and his being forced to leave the country where the CEAO secretariat is located. Furthermore, a border dispute between Burkina Faso and Mali had led to the 'Christmas War' in December 1985. The CEAO had, however, managed to effect a cease-fire and to police it with an observer force, through one of its organs, the Non-Aggression and Defence Aid Agreement (ANAD).¹⁰⁰

The summit was presented with a report commissioned by the tenth summit in Bamako, on the management of the CEAO, in the wake of the financial scandal. A team of experts heavily criticised the organisation for its dangerously centralised secretariat, the excessive power associated with some of its posts, the lack of a system of financial controls and the absence of viable management procedures. It was also understood that the Committee's investigation had been obstructed at high levels within the organisation. Though the report was not formally accepted by the summit, the CEAO's outgoing President, Captain Thomas Sankara of Burkina Faso, said that it would be conveyed 'in its essence' to the next summit after further observations and investigations had been made.

According to a final communiqué,¹⁰¹ the summit expressed satisfaction at the course of the trial of the three alleged embezzlers of FOSIDEC funds. It also reviewed various of the CEAO's community projects, agreed to set up a Regional Centre for Commercial Information and Documentation (CRIC) and adopted a protocol, to be annexed to the treaty establishing CEAO, on cooperation in the field of computer science.¹⁰²

Mouïya Did'ahmed Ould Taya, President of Mauritania, became the new CEAO Chairman, and the Mali Minister of Transport and Public Works, Mamadou Haidara, its Secretary-General. The twelfth summit is to be held in Nouakchott, Mauritania, in October 1986.

● 'Our organisation was very sick even if had the deceptive appearance of good health . . . We are now in the post-operation stage . . . still in a fragile convalescence.' Captain Thomas Sankara, President of Burkina Faso and outgoing Chairman of CEAO, commenting on the troubled phase in CEAO's existence. *West Africa* (London) 7 April 1986.

▲ Lusophone African Countries

Sixth Summit

Luanda, Angola, 28–29 April 1986

■ Leaders of the five Portuguese-speaking African countries (Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe) concluded their summit by issuing the Luanda Declaration on the situation in Southern Africa, together with a separate final communiqué.

The Luanda Declaration identified the main cause of tension in Southern Africa, characterised by armed violence against Angola and Mozambique, as the Pretoria

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regime. It referred, in particular, to recent South African sabotage attempts against the Malongo oil installation in Angola, and the attack at Gorongosa in Mozambique, where captured documents provided evidence of South African involvement. These events, the declaration noted, had marked the final demise of the compromise between South Africa on the one hand and Angola and Mozambique on the other, represented by the Nkomati and Lusaka accords of 1984.

The leaders rejected US aspirations to play a mediating role in Namibian independence, on the basis of its support for the Angolan rebel group, UNITA, its attempt to link Cuban troop withdrawal from Angola to Namibian independence, and its having welcomed the UNITA leader, Jonas Savimbi, to Washington DC. They suggested instead, a mediating role for the UN, but awaited with anticipation South Africa's implementation of its recent pledge to fulfil UN Security Council Resolution 435 of 1978, on 1 August 1986.

The summit communiqué described areas in which the leaders wished to intensify cooperation, including the fields of trade, economics, finance, information and health. It also stressed the growing importance of political and diplomatic cooperation and advocated the adoption of Portuguese as a working language of the OAU. The leaders condemned the US raids on Tripoli and Benghazi, affirming their support for Libya, and went on to denounce terrorism, particularly the irresponsibility of states which support and promote it as an instrument of their policies. They also condemned US intervention in Nicaragua, and the rest of Central America. The leaders also affirmed their solidarity with the Polisario Front in Western Sahara, with FRETILIN, the Revolutionary Front for East Timor's Independence, and the Palestine Liberation Organisation (PLO).

The next Lusophone summit was to be held in Maputo, Mozambique in 1987.¹⁰³

▲ Southern African Frontline States (FLS) Summit

Luanda, Angola, 8 April 1986

■ The FLS summit was attended by the Presidents of Angola, Botswana, Mozambique, Tanzania and Zambia and by the Prime Minister of Zimbabwe. Also present were Tom Nkobi, National Treasurer of the African National Congress (ANC) and Sam Nujoma, President of the South West Africa People's Organisation (SWAPO).

The leaders reviewed developments in South Africa and its destabilisation of the neighbouring states. In the light of the recently reported delivery of US Stinger anti-aircraft missiles to Angola's UNITA rebels, they explicitly condemned the US for assisting the South African-backed group. In a communiqué,¹⁰⁴ They said that 'in supporting the apartheid regime and the appendage forces grouped in the so-called UNITA, the American government has lost its credibility as a broker, compromising its role in the process of negotiations leading to the rapid implementation of the UN Security Council Resolution 435/78'. Denouncing the actions of the Reagan Administration as 'gross and inadmissible interference' in Angola's internal affairs which was retarding efforts to achieve peace in the region, they repeated their

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condemnation of the welcome afforded to the UNITA rebel leader, Jonas Savimbi, in Washington. Resisting the US attempt to place the conflict 'within the framework of East-West confrontation', they reiterated their rejection of any attempt at establishing a 'linkage' between the withdrawal of Cuban troops from Angola, and Namibian independence. Though they noted Pretoria's avowed intent to begin implementing UN Security Council Resolution 435 of 1978, on Namibian independence, on 1 August 1986, they repeated their calls for comprehensive and compulsory economic sanctions against South Africa, as the only means of forcing the regime to conform with international law.¹⁰⁵

▲ Southern African FLS Ministerial Meeting Harare, 20 May 1986

■ Foreign ministers of the FLS met in an emergency session following South Africa's military attacks on the member-states, Botswana, Zambia and Zimbabwe, in May 1986.

Condemning the raids, in which three people were killed, as 'dastardly acts of unprovoked and unwarranted aggression', the ministers made a renewed appeal for mandatory and comprehensive international economic sanctions against Pretoria. The raids, they said, constituted a direct attack on all the FLS, and demonstrated that the South African government had embarked on a 'suicidal path of destruction, violence and death'.¹⁰⁶

▲ Mozambique-Tanzania Summit Maputo, 2-4 May 1986

■ The official visit of President Ali Hassan Mwinyi of Tanzania to Mozambique was his first to any country since he succeeded Julius Nyerere in 1985. According to a final communiqué, President Samora Machel of Mozambique described to the Tanzanian leader Mozambique's efforts to combat the destabilising forces in the country, which he referred to as 'a tool of the Pretoria regime'. The leaders also condemned South Africa for its flagrant violation of the obligations of the Nkomati Accord on Non-Aggression of March 1984. President Mwinyi pledged Tanzania's total and unconditional support for Mozambique in its struggle against the South African-backed rebels.¹⁰⁷

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▲ Mozambique-Zimbabwe

Summit

Harare, 19 June 1986

■ In a communiqué issued after a meeting between President Samora Machel of Mozambique and Prime Minister Robert Mugabe of Zimbabwe, the African leaders affirmed the need for increased economic and military cooperation between the two countries. They expressed satisfaction with progress made by the Southern African Development Coordination Conference (SADCC) towards the goal of economic independence from South Africa, while agreeing on the importance of further efforts to implement SADCC projects, and in particular to rehabilitate the Limpopo railway line linking southern Zimbabwe with the port of Maputo.¹⁰⁸

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NOTES

In these notes the following abbreviations are used for newspapers and periodicals: *Econ* = The Economist (London); *FT* = Financial Times (London); *FEER* = Far Eastern Economic Review (Hong Kong); *Gma* = Granma (Havana); *G* = The Guardian (London); *IHT* = International Herald Tribune (Paris); *MEED* = Middle East Economic Digest (London); *MEER* = Middle East Economic Review (Washington, DC); *MEES* = Middle East Economic Survey (Nicosia); *Obs* = The Observer (London); *S* = South (London); *SN* = Soviet News (London); *SW* = Soviet Weekly (London); *ST* = Sunday Times (London); *SWB* = Summary of World Broadcasts (London); *T* = The Times (London); *TWQ* = Third World Quarterly (London); *UNPR* = UN Press Release; *USIS* = US Information Service; *WA* = West Africa (London); *XNA* = Xinhua News Agency

- ¹ For the G5 'Plaza Pact', on exchange market intervention, see *TWQ* 8(1) January 1986, pp 293-4.
- ² For the 'Baker Plan' on debt, see *TWQ* 8(2) April 1986, pp 691-5.
- ³ For a discussion of these issues, see *TWQ* 8(2) April 1986, pp 716-17.
- ⁴ *UNCTAD Bulletin* (Geneva) April 1986; *UNPR* 1AD/INF/1776 of 10 March 1986, 1777 of 11 March 1986, 1779 of 18 March 1986, 1780 of 21 March 1986 and 1781 of 14 March 1986.
- ⁵ For the third session of the UNCTAD Preparatory Commission, see *TWQ* 8(1) January 1986, pp 284-6.
- ⁶ For further details, see *UNPR* SEA/725/, 11 April 1986.
- ⁷ *FT* 25 April 1986; *Commonwealth Currents* (London) June 1986, p 6; *UNPR* SEA/725, 11 April 1986 and SEA/723, 14 April 1986.
- ⁸ For details, see *UNPR* TNC/378, 21 April 1986.
- ⁹ *UNPR* TNC/378, 21 April 1986; *UNPR* TNC/367-77, 9-16 April 1986.
- ¹⁰ For the September 1985 meeting of UNESCO's Executive Board, see *TWQ* 8(2) April 1986, pp 685-7.
- ¹¹ *FT* 7 May 1986; *IHT* 15-16 March 1986, 8, 17-18, 23 May 1986, 12 June 1986; *T* 10, 29 May 1986; *G* 26 May 1986; *S* May 1986.
- ¹² On the Twenty-first OAU summit in Addis Ababa, see *TWQ* 8(1) January 1986, pp 324-5.
- ¹³ The OAU-ECA submission to the UNGA special session is UN Document A/AC.229/2, 23 April 1986.
- ¹⁴ George Shultz's speech to the special session is in US Department of State, *Bureau of Public Affairs* (Washington DC) Current Policy No. 839, June 1987.
- ¹⁵ *IHT* 28, 29, 30 May 1986, 2, 3 June 1986; *FT* 27, 28, 29 May 1986, 2, 3 June 1986; *T* 27, 29 May 1986, 2, 3 June 1986; *G* 29 May 1986, 2, 3 June 1986; *New York Times* 28 May 1986, 8 July 1986, p 13; *WA* 26 May 1986, 2, 9 June 1986; *UNPR* GA/7305, 1 June 1986, *Africa Emergency* (New York) February-March 1986, April May 1986.
- ¹⁶ For the Commonwealth Summit in Nassau, see *TWQ* 8(2) April 1986, pp 711-14.
- ¹⁷ *G* 16, 17, 18, 21 June 1986; *FT* 17, 18 June 1986; *T* 17, 18, 21 June 1986; *WA* 23 June 1986, pp 1302-3 and 30 June 1986, pp 1352-3.
- ¹⁸ On the suspension of ICO export quotas in February 1986, see *TWQ* 8(3) July 1986, pp 1036-7.
- ¹⁹ *FT* 4, 29 April 1986; *G* 14, 28 April 1986; *S* July 1986, pp 111-2.
- ²⁰ For the first session of the UN Conference on Natural Rubber, 1985, see *TWQ* 7(4) October 1985, p 1024.
- ²¹ On the tin débâcle, see *TWQ* 8(2) April 1986, pp 696-9 and 8(3) July 1986, pp 1039-41.
- ²² *FT* 6, 13, 16, 23, 24 May 1986; *G* 6, 27 May 1986; *UNPR* 1AD/INF/1785 of 5 May 1986, 1786 of 9 May 1986, 1787 of 15 May 1986, 1788 of 26 May 1986, *UNCTAD Bulletin* (Geneva) March 1986.
- ²³ For the failure of the last attempt to solve the tin crisis, see *TWQ* 8(3) July 1986, pp 1039-41.
- ²⁴ For the development of the tin crisis, see *TWQ* 8(2) April 1986, pp 696-9 and 8(3) July 1986, pp 1039-41.
- ²⁵ *FT* 23 May 1986, 6 June 1986; *G* 9 June 1986; *ITC Press Communiqué* (London) 4 June 1986.
- ²⁶ On the Gorbachev-Reagan summit see *TWQ* 8(2) April 1986, pp 702-5.
- ²⁷ *G* 7 May 1986.

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- ²⁸ For the latest proposals in round four, see *TWQ* 8(3) July 1986, pp 1042-4. For previous rounds, see *TWQ* 7(4) October 1986, pp 1030-2; 8(1) January 1986, pp 289-91; and 8(2) April 1986, pp 699-701.
- ²⁹ President Reagan's comments, made at Glassboro, are in *USIS Official text*, 20 June 1986.
- ³⁰ On Reagan's SALT II announcement, see *F* 28, 29 May 1986; *IHT* 28 May 1986, 31 May-1 June 1986; *T* 29 May 1986; *Econ* 26 April 1986, 7 May 1986.
- ³¹ See *T* 12 June 1986 for the detailed Soviet reply to the US allegations concerning violations of SALT II.
- ³² *FT* 7, 9, 16 May 1986, 2, 13, 14, 20, 23, 25, 26, 27 June 1986; *G* 7, 8, 9, 16, 18 May 1986, 23, 27 June 1986; *T* 8 May 1986, 12 June 1986; *IHT* 9, 10-11, 16 May 1986, 2, 6, 12, 13, 18, 23, 25, 27, 30 June 1986.
- ³³ The DPC approved at ambassadorial level the US force goal entailing chemical weapons on 16 May 1986.
- ³⁴ *FT* 28 April 1986, 17, 21, 22, 23, 24 May 1986; *G* 15, 18 April 1986, 15, 16, 21, 22, 23 May 1986; *T* 28 April 1986, 15, 17, 22, 23 May 1986; *IHT* 9, 12, 17-18, 19, 23, 26 May 1986; *Obs* 27 April 1986, 25 May 1986; *ST* 27 April 1986, 18 May 1986.
- ³⁵ *IHT* 30 May 1986, 31 May-1 June 1986; *FT* 30, 31 May 1986, 2 June 1986; *G* 30 May 1986; *T* 30, 31 May 1986; *Obs* 8 June 1986.
- ³⁶ The Warsaw Pact communiqué and address are in *SW* (supplement) 21 June 1986.
- ³⁷ See *Econ* 26 April 1986.
- ³⁸ *SW* 21 June 1986; *Econ* 14 June 1986; *FT* 27 May 1986, 9, 10, 12 June 1986; *G* 19 May 1986 11, 12 June 1986; *IHT* 9, 12 June 1986; *T* 9, 11 June 1986.
- ³⁹ For the Baker Plan, see *TWQ* 8(2) April 1986, pp 691-5.
- ⁴⁰ The Cartagena Group discussed the Baker Plan at Montevideo in December 1985, see *TWQ* 8(2) April 1986, pp 733-4.
- ⁴¹ For the Cartagena meeting at Punta del Este, see *TWQ* 8(3) July 1986, pp 1057-8.
- ⁴² On the G10 report see *TWQ* 7(4) October 1985, pp 1039-40. On the G24 report, see *TWQ* 8(2) April 1986, pp 689-90.
- ⁴³ The G24 Buenos Aires communiqué is in *IMF Survey* (Washington DC) 17 March 1986, *F* 5, 8 March 1986; *IHT* 8-9 March 1986.
- ⁴⁴ For the IMF and World Bank meetings in Seoul, see *TWQ* 8(2) April 1986, pp 691-5.
- ⁴⁵ The Interim Committee communiqué is in *IMF Survey* (Washington DC) 21 April 1986.
- ⁴⁶ The G24 communiqué is *IMF Survey* (Washington DC) 21 April 1986. Its conclusions were to a large extent echoed in the annual report of The Bank for International Settlement (BIS), in Basle. See *G* 10 June 1986 and *T* 10 June 1986.
- ⁴⁷ The G10 communiqué is in *IMF Survey* (Washington DC) 21 April 1986.
- ⁴⁸ On the Structural Adjustment Facility, see *Econ* 5 April 1986; *IMF Survey* (Washington DC) 31 March 1986; *G* 29 March 1986; *IHT* 29-30 March 1986; *FT* 1 April 1986.
- ⁴⁹ The Development Committee communiqué is in *IMF Survey* (Washington DC) 21 April 1986.
- ⁵⁰ On the Paris negotiations for IDA VIII, see *TWQ* 8(3) July 1986, pp 1033-4. On the April negotiations, see *World Bank News* (Paris) 11 April 1986; *WA* 5 May 1986, p 958; *FT* 1 April 1986.
- ⁵¹ *IMF Survey* (Washington DC) 21 April 1986; *Commonwealth Currents* (London) June 1986 p 4; *FT* 10, 11, 15 April 1986; *G* 10, 11 April 1986; *T* 10 April 1986; *IHT* 10, 11, 12-13 April 1986; *Econ* 12 April 1986. For a background paper on 'The US and International Financial Reform', with information on the Baker initiatives on international debt and exchange rate coordination, see *Overseas Development Institute* (London) Briefing Paper, May 1986.
- ⁵² *FT* 9, 10 April 1986; *G* 9 April 1986; *IHT* 10 April 1986; *T* 10 April 1986.
- ⁵³ The meeting of the Group of Five at which the 'Plaza Pact' was formed is in *TWQ* 8(1) January 1986, pp 293-4.
- ⁵⁴ The OECD communiqué is in *OECD Observer* (Paris) May 1986, pp 4-8; and *OECD Press Release* PRESS/A(86) 17, 18 April 1986.
- ⁵⁵ *IHT* 17, 18, 19-20 April 1986; *FT* 18, 19 April 1986; *IMF Survey* (Washington DC) 5 May 1986.
- ⁵⁶ The summit leaders were Margaret Thatcher of Britain; Brian Mulroney of Canada; Bettino Craxi of Italy; Yasuhiro Nakasone of Japan; Helmut Kohl of West Germany and Ronald

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Reagan of the US. France insisted on sending two chief delegates, President François Mitterrand and Prime Minister Jacques Chirac, as since the President had lost his parliamentary majority to the conservatives in the March 1986 elections, France was now functioning under a political system of 'cohabitation'.

⁷ The Tokyo Declaration on International Terrorism is in *T* 6 May 1986, *FT* 6 May 1986 and *G* 6 May 1986.

⁸ For the Bonn Summit, see *TWQ* 7(4) October 1985, pp 1035–6.

⁹ See *FT* 8 May 1986.

¹⁰ The Tokyo Declaration on Chernobyl is in *T* 6 May, *FT* 6 May 1986 and *G* 6 May 1986.

¹¹ The Political Declaration is in *T* 6 May 1986.

¹² The Tokyo Economic Declaration is reproduced in full in *T* 7 May 1986. Excerpts are in *G* 7 May 1986 and *FT* 7 May 1986.

¹³ On the 'Plaza Pact' on lowering the value of the dollar, see *TWQ* 8(1) January 1986, pp 293–4.

¹⁴ On the 'Baker Plan' see *TWQ* 8(2) April 1986, pp 691–5.

¹⁵ *FT* 6, 7, 8 May 1986; *T* 5, 6, 7, 8 May 1986; *G* 5, 6, 7, 8 May 1986; *IHT* 5, 6, 7, 8, 9 May 1986; *ST* 11 May 1986; *Obs* 11 May 1986; *Econ* 10 May 1986; *FEER* 15 May 1986, *Africa* (London) June 1986; *IMF Survey* (Washington DC) 19 May 1986.

¹⁶ For the last meeting of the Textiles Committee, see *TWQ* 8(1) January 1986, pp 299–300.

¹⁷ See *FT* 10 March 1986.

¹⁸ *FT*, 4, 9 April 1986, 29 May 1986; *FEER* 1 May 1986, p 53, *IHT* 8 May 1986; *S* July 1986, p 99, *GATT Focus* (Geneva) April–May–June 1986.

¹⁹ *IHT* 24 April 1986.

²⁰ For background on the ASEAN meeting, see *FEER* 3 April 1986 and *SWB* FE/8246/A3/3, 30 April 1986. On Kampuchea, see *SWB* FE/8246/A3/3, 30 April 1986 and *FEER* 3 April 1986.

²¹ *IHT* 23, 24, 25, 26–7, 30 April 1986, 2, 3–4 May 1986; *FT* 26, 30 April 1986, 1, 2 May 1986, *G* 26, 28, 30 April 1986, 1, 2 May 1986; *T* 30 April 1986, 1, 2, 3 May 1986; *FEER* 1 May 1986, pp 32–3, 8 May 1986, pp 14–16 and 44–5, 15 May 1986, pp 46–7, 8 July 1986, p 94; *SWB* FE/8246/A3/3, 30 April 1986 and FE/8249/A1/3, 3 May 1986.

²² The previous ASEAN summits since its inception in 1967 were in 1976 and 1977.

²³ For Gorbachev's proposals for nuclear disarmament by the year 2000, see *TWQ* 8(3) July 1986, p 1042.

²⁴ On Antarctica at the NAM conference, see *FEER* 15 May 1986, pp 30–1.

²⁵ *FT* 16, 17 April 1986; *IHT* 21 April 1986; *G* 21 April 1986; *T* 21 April 1986, *SWB* FE/8234/i, 16 April 1986, /8238/i and /8238/C2/1 (A1–A5), 21 April 1986.

²⁶ *IHT* 25 April 1986, 3–4 May 1986; *FT* 25, 30 April 1986, 1, 2, 3 May 1986; *G* 25 April 1986, 2 May 1986; *T* 3 May 1986; *SWB* ME/8247/i, 1 May 1986, ME/8248/A/6–7, 2 May 1986, ME/8249/i, 3 May 1986; *MEED* 3 May 1986, p 2 and 10 May 1986, p 2.

²⁷ For the March 1986 OPEC conference, see *TWQ* 8(3) July 1986, pp 1055–7.

²⁸ The statement on the Libyan raid is in *MEES* 21 April 1986, p A3 and also in the final conference communiqué, for which see *MEES* 28 April 1986, p A5 and *OPEC Bulletin* (Vienna) May 1986.

²⁹ For the December 1985 OPEC meeting, see *TWQ* 8(2) April 1986, pp 730–1.

³⁰ *FT* 14, 15, 17, 18, 19, 21, 22 April 1986; *IHT* 14, 16, 17, 18, 19–20, 21, 22 April 1986; *G* 16, 17, 18, 19, 21, 22, 23 April 1986, *T* 16, 19, 22 April 1986, *MEES* 21, 21 April 1986.

³¹ *IHT* 24 April 1986, 14 May 1986; *T* 14 May 1986; *FT* 15 May 1986; *G* 14 May 1986, *MEES* 19 May 1986.

³² On OPEC's group of five, see *MEES* 5 May 1986, 2 June 1986, *G* 27 May 1986; *FT* 27 May 1986, 3, 11 June 1986.

³³ *MEES* 23, 30 June 1986; *IHT* 19 May 1986, 24, 25, 26, 27, 28, 9, 30 June 1986, 1 July 1986, *FT* 23, 25, 26, 27, 28, 30 June 1986, 1 July 1986; *G* 20, 24, 25, 26, 27, 30 June 1986, 1 July 1986, *T* 24, 27, 28, 30 June 1986, 1 July 1986.

³⁴ *MEES* 12 May 1986; *SWB* ME/W1389/i, 13 May 1986.

³⁵ On the previous negotiations and the decision to suspend them, see *TWQ* 8(2) April 1986, pp 731–2.

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On the Caraballeda Message for Peace, Security and Democracy in Central America, see **TWQ** 8(3) July 1986, pp 1058-60.

The position on US aid to the 'contras' was made uncertain by the ambivalence of foreign policy signals from the US. In mid-April 1986 a letter to the US Congress from Philip Habib, the US Special Envoy to Central America, understood US commitments entailed by the Contadora Treaty to require 'a cessation of support to irregular forces and/or insurrectional movements from the date of signature', though he added that the US would not feel itself bound to the treaty if Nicaragua were contravening it. But, according to a subsequent White House 'clarification', the ending of aid to the 'contras' would date not from signature of the treaty, but from its implementation, and evidence of its being complied with. **Econ** 31 May 1986; **IHT** 21, 24-5 May 1986.

President Reagan's request for \$100m in military and humanitarian aid to the 'contras' was rejected by the US House of Representatives in March 1986 (though approved by the US Senate on 27 March 1986). While Reagan refused to postpone it, it was subjected to Congressional delaying tactics, and was to be reconsidered in June 1986. **Econ** 19 April 1986; **IHT** 7, 8, 9 April 1986; **G** 7, 8 April 1986; **T** 7, 8, 9 April 1986; **FT** 9 April 1986; **Econ** 12 April 1986; **SWB** ME/8225/iii of 5 April 1986, /8229/iii of 10 April 1986, /8230/D/2 of 11 April 1986, /8231/D/1-2 of 12 April 1986.

IHT 19, 20 May 1986; **G** 3, 15, 20 May 1986; **T** 22 May 1986, **SWB** ME/8251/D/1 of 6 May 1986, /8262/iii of 19 May 1986, /8262/D/1-2 of 19 May 1986, /8263/iii of 20 May 1986.

T 8, 9 May 1986, **IHT** 8, 10-11 May 1986; **SWB** ME/8254/iii of 9 May 1986, /8225/D/1 of 10 May 1986.

The Declaration of Esquipulas is in **SWB** ME/8269/D/1-2, 27 May 1986

T 24, 26, 27 May 1986; **ST** 25 May 1986; **G** 26, 27 May 1986; **IHT** 26, 27 May 1986; **FT** 27 May 1986, **Econ** 31 May 1986; **SWB** ME/8269/iii and ME/8269/d/1-2, 27 May 1986.

The draft document and Declaration of Panama are summarised in **SWB** ME/8281/D/1-2, 10 June 1986.

IHT 29-30 May 1986, 7-8, 9 June 1986; **FT** 29 May 1986, 6, 7, 13 June 1986; **G** 6, 9 June 1986, **T** 7, 9 June 1986; **S** July 1986; **SWB** ME/8272/iii, 30 May 1986, ME/8280/iii, 9 June 1986, ME/8281/d/1-2, 10 June 1986, ME/82865/D/1, 14 June 1986, ME/8286/iii, 16 June 1986, ME/8299/D/1-2, 22 June 1986

On 26 June 1986, the House of Representatives voted the \$100m in aid to the anti-Sandinist 'contras' sought by President Reagan. **G** 27 June 1986; **T** 27 June 1986

⁹⁸ The document is OAU document OAU/ECM/2XV/rev 2, March 1986 and UN document A/AC.229/2*, 23 April 1986

⁹⁹ For the Addis Ababa summit, see **TWQ** 8(1) January 1986, p 324-5.

¹⁰⁰ **SWB** ME/8222/B/1-2, 2 April 1986, ME/8224/B/1, 4 April 1986.

¹⁰¹ For background and information on the embezzlement trial, see **WA** 31 March 1986, p 693 and 14 April, pp 761-2

¹⁰² The communiqué of the ANAD extraordinary ministerial council meeting in Abidjan on 29 December 1985, at which the cease-fire was agreed, is in **SWB** ME/8145/B1-3, 1 January 1986. On the Burkina-Mali dispute, see also **G** 28 December 1986; **IHT** 31 December 1985, 1 January 1986; **FT** 27 December 1986, *Afrique-Asie* (Paris) 13 January 1986, **WA** 27 January 1986, pp 167-72.

¹⁰³ The CEAO summit communiqué is in **SWB** ME/8221/B/1-2, 1 April 1986

¹⁰⁴ **WA** 7 April 1986 and 31 March 1986; **S** May 1986; **SWB** ME/W1383/A2/1-2, 1 April 1986 and ME/8222/B/4-5, 2 April 1986; *Afrique-Asie* (Paris) 10-23 March 1986.

¹⁰⁵ **G** 1 May 1986; **SWB** ME/8247/B/7-9, 1 May 1986, ME/8249/B/5-8, 3 May 1986.

¹⁰⁶ The FLS communiqué is in **SWB** ME/8230/B/4-5, 11 April 1986.

¹⁰⁷ **IHT** 10 April 1986; **SWB** ME/8229/B/5, 10 April 1986.

¹⁰⁸ **SWB** ME/8265/ii, 22 May 1986; *Africa* (London) June 1986, p 7.

¹⁰⁹ **SWB** ME/8251/B/5-6, 6 May 1986.

¹¹⁰ **SWB** ME/8291/ii, 21 June 1986.

Third World Foundation News

South-South II: charting the way forward

The Second Summit of Third World Scholars and Statesmen,
5-8 May 1986, Kuala Lumpur, Malaysia

Cooperation between developing nations could now be entering an exciting new phase after this meeting, sponsored by the Third World Foundation and the Institute of Strategic and International Studies in Malaysia.

World attention was fixed firmly on the Tokyo Summit of leading industrialised nations, which took place at the same time and partly explains the near-total lack of media coverage given to this conference. Meeting at a time of deepening economic crisis and uncertainty for the Third World, the one hundred delegates from twenty-three countries were determined to go far beyond mere rhetoric.

They agreed on concrete measures, including the creation of an Independent Commission to explore the possibilities for the expansion of economic ties between the developing world. The preparatory work to establish the Commission was entrusted to a Steering Group under the chairmanship of YAB Dato' Seri Dr Mahathir Mohamed, Prime Minister of Malaysia.

South Africa was a subject of great concern. The possibility that the Commonwealth Eminent Persons' Group (CEPG) might suggest a framework for negotiations between the leaders of the black majority and the apartheid regime was not discounted. However, the consensus was that Pretoria would spurn all efforts to obtain reasonable settlement through dialogue.

Oliver Tambo, President of the African National Congress (ANC), received the Third World Prize on behalf of Nelson and Winnie Mandela on the first day of the summit.

The South Commission

By far the most important decision taken at the meeting was the establishment of an Independent Commission of the South on Development Issues, whose key objectives are:

- to assess the problems facing the 120 or so developing countries;
- to find solutions and suggest ways of increasing cooperation within the South;
- to strengthen organisations already working for greater cooperation, and to consider the creation of a South Secretariat;
- to raise awareness in developing countries about their circumstances and the challenges facing them.

The terms of reference for the Commission would be established by the Steering Group, but the conference recommended that the Commission should comprise no more than twenty eminent persons of the Third World. These

individuals should serve in their personal capacity, and not as representatives of their governments or institutions. A small Secretariat would service and give administrative support to the Commission.

Delegates were cautiously optimistic about the Commission's chances. Mindful of the failure of similar efforts in the past—especially the Caracas Programme of Action adopted at the Group of 77 meeting in 1981, and the statement on self-reliance issued by the Non-Aligned Movement (NAM) in New Delhi in 1983—no one expected immediate success. There was an awareness that each country had specific and often different concerns, and governments tended to pursue their own national interests to the detriment of the Third World as a whole. Key speakers, including the Commonwealth Secretary-General Shridath Ramphal, believed that the present world crisis should encourage governments to adopt a more sensible and long-term approach. They argued that the collapse of commodity prices, deteriorating terms of trade, rising indebtedness, the threat of increased protectionism by industrialised nations, high interest rates, and volatile exchange rates would galvanise the developing world.

Conference members argued that initial progress might come from greater cooperation at a regional, even sub-regional, level, reflecting both realism and an awareness of the obstacles facing the Commission, but they believed that the unity of the developing countries was not an impossible goal. 'Concerted efforts have to be made to expand inter-regional flows of trade, finance, technology and investment, as well as to strengthen schemes of regional or sub-regional integration and cooperation', read the final statement.

Several matters required urgent attention, including regional preferential trading schemes, payments and credit arrangements, the setting up of a Third World Bank, producer cooperation in central selling agencies, counter-trade, the harmonisation of banking laws, the flow of information, and research training and consultancy. These are among the issues which the Commission will be studying.

The first real test of the initiative was expected to come at the September 1986 meeting of the NAM in Harare. Dr Mahathir hoped to complete a report by this time, outlining the findings of the Steering Group. Only then will it be possible to assess the true significance of the main Kuala Lumpur proposal.

The Third World Prize

Following in the footsteps of Dr Raúl Prebisch, Dr Julius Nyerere and Will Brandt is an unenviable task. But Nelson and Winnie Mandela, the winners of the 1985 Prize, can justifiably claim to have contributed at least as much to the Third World as those distinguished individuals who have also received the \$100,000 award in previous years.

The Prize is funded by an independent endowment and administered by the

Third World Foundation, the prize winner being nominated annually by an independent international selection committee. The Prize recognises outstanding efforts by individuals and groups to Third World development.

ANC leader, Nelson Mandela, a towering figure in the struggle against apartheid, has been serving a life sentence since June 1964, having already been sentenced to five years of hard labour in 1962 for strike incitement. Winnie Mandela, who has battled courageously for many years, had had her passport confiscated and was unable to travel abroad. Oliver Tambo, Mandela's close personal friend and former law colleague, accepted the Prize on the couple's behalf and then delivered the 1986 Third World Lecture, which was published in the July 1986 issue of the *Third World Quarterly*.

Conference papers

The main points of the major contributions to the conference proceedings can be summarised as follows:

1) *For the South, a time to think*, by Shridath Ramphal, which stressed the need for swift action to overcome current problems. Ramphal pointed to the lack of North-South dialogue, and the increasingly uncooperative line taken by industrialised countries. 'Recent American acts of war in the Mediterranean were a dramatic example of this retreat from internationalism and world order', he noted.

2) *South-South cooperation: problems and obstacles*, by Tengku Razaleigh Hamzah, Trade and Industry Minister of Malaysia. Tengku Razaleigh argued for cooperation between regions and sub-regions, which he referred to as 'cellular development', within the existing economic system. He found the ideas of a Third World Bank impractical. 'We still believe and strongly so, that money, market and management of the industrialised North are required for the development of the South, . . . the North-South dialogue, and the old notion of "interdependence" are still valid.'

3) *South-South cooperation: challenge to the political process*, by Michael Manley, former Prime Minister of Jamaica. Manley maintained that cooperation has been held back by dependent and malformed economies, the acceptance of the economic models and theories of developed countries, and divisions left over by colonialism. After listing the advantages of cooperation, he added: 'Success will demand political will; the identification of cadres capable of the necessary planning; the determination to keep the cadres on the job as long as it takes; and public patience during the time which all this takes to implement.'

For Manley, a South Commission should 'develop a new framework of analysis in which costs and benefits are set in a deeper framework of strategic purpose. Of particular importance is the matter of mechanisms through which projects can be identified, feasibilities determined and resources indicated.'

4) *Obstacles to South-South cooperation*, by Dr Gamani Corea, former Secretary-General of UNCTAD. According to Dr Corea, the Third World's problems have been caused by a lack of industrialisation on a global scale, which cannot be solved regionally. He urged that the South must develop by their own initiative and not rely on 'trickle-down' development from the North. 'There is less commitment in the North to the goals of cooperation for development than in the past. The South cannot get a response to its needs by generalised exhortations and resolutions passed in international forums.'

5) *South-South trade and economic cooperation: some notes on future strategy*, by Alister McIntyre, Deputy Secretary-General of UNCTAD. In the light of the GATT talks in 1987, McIntyre emphasised the need for greater financing of trade and investment among developing nations.

He was disappointed at the lack of communication between organisations such as the Group of 77 and other regional bodies. 'The days are probably over for across-the-board schemes of almost universal membership. Each country has to find its own place within the network of cooperation arrangements.'

6) *Opportunities for South-South cooperation*, by Ambassador Farooq Sobhan, High Commissioner of Bangladesh to Malaysia and a former Chairman of the Group of 77. Outlining the difficulties lying ahead for developing countries, Farooq Sobhan warned: 'They may instead prefer to increase their dependency relationships with countries in the North and settle for bilateral arrangements which may provide temporary relief but which in the long run will only increase their vulnerability.'

He blamed governments for the past failures: 'If there is a feeling among governments that South-South cooperation has moved slowly then these same governments should recognise that it is because of their own inactivity and failure to be more responsive to South-South programmes.'

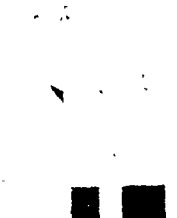
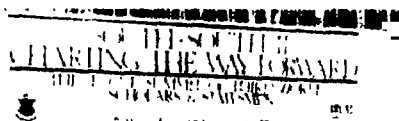
7) *South-South cooperation: challenges and opportunities*, by Dragoslav Avramovic, Economic Adviser to the Bank of Credit and Commerce SA, Luxembourg. Avramovic argued for the continuation of negotiations for a global system of trade preferences, concessions in trade talks with developed nations, central selling organisations, greater mutual trade in primary products, an increased flow of information on investment and trade, wider membership of the recently formed Association of State Trading Organisations of Developing Countries, and preparatory work for a possible World Monetary and Financial Conference.

Conclusion

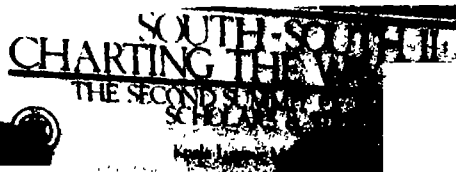
When the first South-South Conference ended in Beijing in April 1983, it was decided that the three years before the second meeting should be used to examine specific regional issues and problems. This work was done at the conference held in Cartagena (1984) and Harare (1985), and its usefulness

could be seen by the recommendations made at Kuala Lumpur. Real and effective steps were taken towards the development of the Third World.

But the daunting task of establishing the Commission still has to be faced. In the words of the Malaysian *New Straits Times* (9 May 1986): 'Well-meaning efforts have often been grounded on the rocky shores of reality. But, perhaps paradoxically, it is hard reality itself that may be the best guarantor of better chances of success.'



H E Dato Seri Dr Mahathir Mohamad, Prime Minister of Malaysia, delivering the inaugural address. Seated left to right, Mr Altaf Gauhar, Secretary-General Third World Foundation, D Noordin Sopiee, Director-General of ISIS Malaysia, H E Mr S S Ramphal, Chairman, Third World Prize Selection Committee, YABhg Tun Hussein Onn, Chairman of ISIS Malaysia, M Agha Hasan Abedi, Chairman, Board of Trustees of the Third World Foundation, Dr Olive Tambo, President African National Congress; and Mr Azim Husain, Principal Advisor to the Third World Foundation



Dr Oliver Tambo receiving the Third World Prize on behalf of Nelson Mandela and Winnie Mandela

alternatives

A JOURNAL OF WORLD POLICY

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Edited by

Saul H. Mendlovitz (World Policy Institute and Rutgers University Law School) and
Rajni Kothari (Centre for the Study of Developing Societies, Delhi)

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— TRANSACTION PERIODICALS CONSORTIUM —

Book Reviews

The titles reviewed are listed below with names of authors and editors

Socialist International: Global Challenge: From Crisis to Cooperation: Breaking the North-South Stalemate

Third World Network: Third World: Development or Crisis?

Randall, Vicky and Theobald, Robin: Political Change and Underdevelopment: A Critical Introduction to Third World Politics

Braveboy-Wagner, Jacqueline A: Interpreting the Third World: Politics, Economics and Social Issues

Reitsma, H A and Kleinpenning, J M G: The Third World in Perspective

Macalister-Smith, Peter: International Humanitarian Assistance: Disaster Relief Actions in International Law and Organisation

Harrell-Bond, Barbara E: Imposing Aid: Emergency Assistance to Refugees

Peeler, John A: Latin American Democracies: Colombia, Costa Rica, Venezuela

Wiarda, H J and Kline, H F: Latin American Politics and Development

Slater, David (ed): New Social Movements and the State in Latin America

Wesson, Robert: Politics, Policies and Economic Development in Latin America

Bolton, Dianne: Nationalisation—A Road to Socialism?

Cordesman, Anthony H: The Gulf and the Search for Strategic Stability: Saudi Arabia, the Military Balance in the Gulf, and Trends in the Arab-Israeli Military Balance

Darius, Robert G, Amos, John W II and Magnus, Ralph H (ed): Gulf Security into the 1980s: Perceptual and Strategic Dimensions

Sirriyeh, Hussein: US Policy in the Gulf 1968-77: Aftermath of British Withdrawal

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Simpson, John and Bennett, Jana: The Disappeared: Voices from a Secret War

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International Labour Office: Tradition and Dynamism Among Afghan Refugees

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Konings, Piet: The State and Rural Class Formation in Ghana. A Comparative Analysis

Beeson, Trevor and Pearce, Jenny: A Vision of Hope: The Churches and Change in Latin America

Franck, Thomas M: Nation against Nation: What Happened to the UN Dream and what the US Can Do about It

Moore, Robert J: Third World Diplomats in Dialogue with the First World

Razavi, Hossein and Vakil Firouz, The Political Environment of Economic Planning in Iran, 1971-1983: From Monarchy to Islamic Republic

Philip, George: Politics in Mexico

Pae, Sung M: Testing Democratic Theories in Korea

Cassen, Robert (ed): Soviet Interests in the Third World

Understanding the Third World

Christopher Clapham

Global Challenge: From Crisis to Cooperation: Breaking the North-South Stalemate

Socialist International

London: Pan. 1985. 222pp. £2.95pb

Third World: Development or Crisis?

Third World Network

Penang, Malaysia: Third World Network. 1985. 84pp. \$2.00pb

Political Change and Underdevelopment: A Critical Introduction to Third World Politics

Vicky Randall and Robin Theobald

London: Macmillan. 1985. 219pp. £15.00hb/£5.95pb

Interpreting the Third World: Politics, Economics and Social Issues

Jacqueline A Braveboy-Wagner

New York: Praeger. 1986. 356pp. \$39.95

The Third World in Perspective

H A Reitsma and J M G Kleinpenning

Assen, Netherlands: Van Gorcum. 1985. 446pp. Dfl75

There is no gap so wide as that between those who seek to change the Third World, and those who seek merely to understand it. The search for understanding is a hesitant one, the seekers aware of the variety and complexity of the societies that confront them, still more aware of the range of concepts that previous travellers along the same trail have developed for the purpose, and of how inadequate so many of these have proved. Looking back along the trail, it is easy enough to see where we have gone wrong, much harder to conclude that our mid-1980s perspective represents more than the latest attempt to capture an elusive world in a shifting set of paradigms. The proponents of change, on the other hand, can afford no such hesitation. Doubts about their rightness do not trouble them. Their convictions are clear, their prescriptions incontrovertible, their opponents merely obstructive. The

suspicion that these convictions and prescriptions may be derived from academic models now generally abandoned, or even from the vested interests of their proponents, is not permitted to obtrude.

Two of these books—readily identified by subtitles which counterpoise ‘crisis’ on the one hand to ‘cooperation’ or ‘development’ on the other—are dedicated to change, the other three to understanding. *Global Challenge* is a product of the familiar Brandt stable, though published under the auspices of the Socialist International (a grouping of Western and Third World social democratic parties), rather than the Brandt Commission, and written by SI’s London-based secretariat. Heavily exhortatory in tone, it exemplifies what McKinlay and Little have called the ‘compensatory liberal’ approach to global problems.¹ While liberals of all descriptions share the belief that collaboration between the South and the Western capitalist economies is essential to Third World development, those of the Brandt persuasion insist that constant governmental and intergovernmental regulation is essential to compensate for the injustices of the unregulated market. Accordingly, though the arguments in this book are directed largely against conservative policies in the North, with constant sniping at monetarism, the IMF, and especially the Reagan Administration, it shares many of its opponents’ assumptions about the structure of the global economy. In each case, solutions to the economic problems of the South are to be found by resolving those of the North; but in place of the much criticised ‘trickle-down’ strategy of the market economists, *Global Challenge* proposes what one might call a ‘hand down’ strategy, in which intergovernmental aid replaces transnational investment. The argument between ‘pure’ (or market) and compensatory liberals is then basically a domestic Northern one about how best the industrial capitalist economies should be managed; and, stripped to crude essentials, this volume thus sees the solution to the problems of the South as lying primarily in the election of social democratic governments in the North.

The convenience of this doctrine to its Northern proponents is obvious enough, though their Southern partners would be unwise to assume that social democratic parties in power, faced by inevitable pressures from their domestic constituents, would actually devote the \$100bn a year to global development which they propose. It is no less convenient to Third World leaders who wish both to control their own domestic economies and to benefit from the inflow of aid from the West; and indeed the volume constantly emphasises the need for links between ‘like-minded’ Southern governments and their social democratic Northern mentors. However, the main problem in assessing *Global Challenge*—from any other viewpoint than that of the political interests of its proponents—is that it is not primarily concerned with the Third World at all. Produced by First World writers for First World readers about the policies of

¹ R D McKinlay and R Little, *Global Problems and World Order*, London: Pinter, 1986.

First World states, it reduces the Third World to little more than a walk-on role.

The easiest response might then be simply to welcome it as a contribution to arousing Western sympathies towards the South, while looking elsewhere for both analysis and prescription. Almost by default, however, it assumes a paradigm of Third World development which has come under increasing challenge from both left and right: a paradigm which sees the Third World state and its rulers as the benevolent intermediaries between its own people and the global economy. National (ie, government) control over the economy is assumed to be for the benefit of the people as a whole (in sharp contrast to the exploitative activities of the transnational corporation), and the approach thus favours (p 152) 'a high degree of economic sovereignty'. And since economic sovereignty presupposes all the other apparatus of government, even the obligatory demand for disarmament continues to stress (p 197) 'the rights of sovereign states to defend themselves'.

Yet these assumptions, readily enough accepted twenty or thirty years ago, now have to contend with alternative paradigms which see the Third World state, not as the solution to the problem of underdevelopment, but as a major part of the problem itself: as the means by which Southern governing elites extract resources from the productive sector of their economies (and especially the peasantry) in order to maintain a large, inefficient and often repressive bureaucracy. *Global Challenge* does not merely ignore such alternative paradigms; it positively shirks them. In the discussion of African famine, for example, it rightly points out (p 147) that 'only a fraction of the value of key commodities accrues to producers or farm workers in developing countries', but goes on to blame this on 'the transnational corporations which control their distribution on world markets'. The idea that the state might be to blame is more than it can face, though in fact African produce marketing is overwhelmingly in the hands of governments, which use it to extract a hefty surplus from their peasantries; nor is there any evidence to suggest that socialist regimes are any less extortionate than capitalist ones—on the whole, the opposite is true. Nor can aid, and especially official aid, be regarded in the uncritical light that it receives here; while the promised \$100 billion sounds generous enough from the donors' end, it would be all too likely (in the improbable event of its materialising) to create more problems than it solved for the recipients. Though this volume claims (p 11) to mark 'important new ground in the thinking of the democratic Left, in response to the crisis of the eighties', it is little more than an uncritical revamping of tired ideas, derived from outdated assumptions.

Third World: Development or Crisis? is the outcome of a conference in Penang, bringing together Third World journalists and academics, and—in a booklet of eighty-four pages—can scarcely do more than summarise the consensus of its participants' opinions. Its interest, indeed, lies in its

presentation of the received wisdom of a section of the Third World intelligentsia, and it is contrast with the Eurocentric view presented in *Global Challenge*. While the tone is no less didactic, the emphasis is heavily on dissociation from the North, rather than on cooperation with it; and though transnational companies make equally attractive villains in both volumes there is no assumption here that the governments in power in Northern (and especially Western) states would make any difference. It is, too, much readier than the Brandt volume to recognise the oppression of Third World peoples by their own governments, and more forthright about the need for those people to take action themselves, rather than await the benevolence of the West. Many of its specific proposals would evidently be beneficial—especially heartfelt being those which seek to restore the moral and cultural autonomy of the Third World, and to end such degrading abuses as sexual tourism in Southeast Asia. There is nonetheless a gaping void at the core of the volume arising from a total failure to analyse the bases of underdevelopment, or to propose any strategy to overcome them—a void all too candidly revealed by the proposal (p 77) that 'An appropriate model of development that liberates the Third World from the First World must be evolved.' There is no attempt ever to draw on that range of development strategies—from North Korea on the one hand, to Taiwan on the other—which eastern Asia so tellingly illuminates. Tricky questions are swept firmly under the mat in the interests of group consensus, and blaming the North serves as an easy substitute for any serious attempt to tackle the problems of underdevelopment.

The three remaining books are written, in essence, for students in the First World seeking to understand the Third. Shortest and least ambitious of the three, *Political Change and Underdevelopment* describes and assesses the attempts by (largely Western) academics over the last thirty years to construct theoretical frameworks appropriate to Third World politics. The five core chapters each take a group of theories, in roughly chronological order: the early attempts at conceptualising 'modernisation' and 'development' (how infinitely distant do Almond and Rustow seem now); the adaptation of these concepts to the complexity of actual social interactions in works like the Rudolphs' classic study of caste in India; the 'politics of order' school represented by Huntington and Jose Nun; the dependency approach, here represented mainly by Frank and Wallerstein; and the renewed emphasis on social and political structures within the Third World, notably class formation and the state, which brings the survey to the present day. Clear, competent and unpretentious, this is a model of what such an introductory text should be. Randall and Theobald's assessments are balanced and fair, and although they have no space to go into detail—especially into the different formulations of dependency theories—they can at least indicate where the areas of contention lie. The one thing which they do not provide is the 'introduction to Third World politics' suggested by the subtitle. In writing a brief introduction of this kind.

authors have to choose between an approach based on theories (which of course are only of any value if they can be applied to facts), or one based on facts (which can likewise only be interpreted by drawing on theories). In opting unambiguously for a theoretical approach, Randall and Theobald use occasional case-studies to show how these theories have been applied; but their secondary goal of trying 'to convey something of what Third World politics are actually like' (p viii) necessarily goes by the board.

Both Braveboy-Wagner and Reitsma and Kleinpenning offer thick introductory textbooks on the Third World, the first from the viewpoint of the political scientist, the second from that of the geographer. Put simply, the second is much the better book. *Interpreting the Third World* suffers especially from weaknesses in organisation, which in turn reflect a lack of analytical focus. The two main sections, on 'The Aftermath of Colonialism' and 'Modernisation and Development', serve as little more than ragbag categories, under which to discuss a collection of inadequately related topics. Aspects of domestic politics, for example, crop up under 'the one-party system' in Chapter 2, 'political factors' in Chapter 7 and 'administrative problems' in Chapter 8; bits on international relations are similarly scattered through Chapters 3, 4, 9 and 10. The book is clearly and simply written, with a lot of useful empirical data, and balanced assessments of issues such as the Cuban intervention in the Third World, or the role of foreign aid. But there is no theme or integrating viewpoint, through which the reader can attempt to make sense of the mass of data, and in its absence the presentation tends to fall into a set of discrete chunks, with little idea of how these fit together.

The Third World in Perspective almost entirely ignores the formal political organisation of the Third World. But in concentrating primarily on the division between city and countryside, and secondarily on that between core and periphery, it provides an overview of the Third World which would be valuable to social science students of all disciplines, and not just the geographers for whom it is primarily written. Its conceptual framework is derived from a reasoned critique of the dependency theorists, and its central argument that dependence is due more to inequalities of power than to anything inherent in capitalism as such, is persuasively made. It approaches this argument, moreover, through a solid analysis of the material basis of production, especially in agriculture, which many more explicitly Marxist analyses would so well to emulate. Four case studies of Ethiopia, India, Cuba and Taiwan, provide intriguing slants on the general discussion (the use of Taiwan as a counter to dependency theories is especially interesting) and do much to remind students of the vast diversity which the 'Third World' encompasses. In contrast to much of the current literature, it largely ignores the role of the Third World state itself as a contributory factor to underdevelopment, and also takes a 'traditionalist' approach to the peasantry, seeing peasant attitudes (notably in India and Ethiopia) as frequently obstructive to development, rather than as

embodying the highly rational reaction to local productive circumstances which the currently conventional wisdom would suggest. Specialists will find conclusions to disagree with in their own areas—the statement that ‘since the 1974 coup, not much has changed’ in Ethiopia (p 285), for example, is mind-boggling; but as a general introduction, marked by coherent presentation and reasoned concern, it is admirable.

Interpreting disaster relief

Randolph Kent

International Humanitarian Assistance: Disaster Relief Actions in International Law and Organisation

P Macalister-Smith

Dordrecht, Netherlands: Martinus Nijhoff. 1985. 244pp. £33.00

Imposing Aid: Emergency Assistance to Refugees

Barbara E Harrell-Bond

Oxford: Oxford University Press. 1986. 440pp. £15.00

The world of disaster relief has always had its cyclical fads. A major disaster unleashes popular demonstrations by concerned people anxious to help the afflicted. Journalists stand poised, pens in hand, ready to expose the ostensible strengths and weaknesses of the relief system. Wise commentators propound on the underlying causes of the disaster and the inadvertent consequences of intervention.

And then it all seems to die away. The disaster and the relief response are over. The attentions of the public, the media and the experts are spent. There seems little more to say until the next disaster grips the consciousness of all those various components that comprise the disaster relief community.

Often unnoticed in the ebb and flow of such dramas is the growing number of specialists focusing upon disaster and disaster relief as an unfortunate but nevertheless enduring feature of this planet. More and more, below the surface of the fad, is a bedrock of concerned analysts attempting to explore the nature of disasters and essential prerequisites for effective relief.

This expanding bedrock is evidenced in a variety of ways. An increased number of academic institutions are incorporating disaster topics into political science and development curricula. Research institutes are delving into disaster-related topics which focus upon the problems not only in the developing but also in the developed world. A burgeoning literature ranges

over a widening spectrum of relevant topics, from the micro-dimensions of famine indicators to the macro-dimensions of international responses to relief.

Such trends are important. They reflect the growing realisation that instant sympathy is not in and of itself a solution to the plight of disaster-afflicted peoples. They suggest that disaster myths need to be challenged, that social as well as hard sciences must be part of the professional's kit. Ultimately, they demonstrate an increased awareness that professionalism must replace the random, faddish and haphazard approaches which too often have marked traditional responses to disasters.

If one had any inclination to join this growing band of professionals, there is the inevitable question of what route to take. Of course, one entry point would be through particular areas of expertise. Medicine, nutrition, engineering all offer relevant paths to enter into the world of disasters and disaster relief. However, what few such specialists have as they hone their particular skills to deal with disasters is an understanding of the structures and dynamics of the relief system.

Too often even the most conscientious amongst the emerging bands of relief specialists apply their trades without any sense of the context in which they are working. They are unfamiliar with 'Who's Who' in the relief world; they are uncertain about the entitlements—the internationally recognised legal rights of disaster victims—or the mandates and capabilities of those institutions that proffer relief. Yet, even more fundamental, they frequently reveal a basic lack of understanding about the social and psychological problems created by disasters . . . and disaster relief as well!

Both Macalister-Smith and Harrell-Bond go a long way towards filling the gaps in knowledge which even experts too frequently reveal. Given such gaps even amongst the growing numbers of professionals, how might one fill them? Here is where the two books under review are of particular importance. Macalister-Smith's *International Humanitarian Assistance* provides a sound overview of international laws and institutions relevant in times of disasters. *Imposing Aid* by Barbara Harrell-Bond gives an intensive submersion into the social, psychological and institutional contexts of emergency relief.

In *International Humanitarian Assistance*, Macalister-Smith has been able to incorporate all the major international laws and institutions relevant to disaster relief in one single and relatively short volume—no mean feat in and of itself. For anyone who might despair at the seemingly inadequate international relief network of the 1980s, it is very instructive to be reminded that internationally accepted laws and specialised institutions pertaining to relief are relatively new. While Macalister-Smith rightly points out that humanitarian assistance in one form or another dates back to earliest recorded civilisation, legal frameworks and institution building are little more than a century old. In fact, as the author's excellent 'historical perspective' suggests, the major impetus

really is a phenomenon of the post-World War II period, a phenomenon that intensified from the mid-1960s through the 1970s.

Given such a relatively short gestation period, it is rather impressive to see the full panoply of actors throughout the world that can be regarded as part of the relief network. Here, Macalister-Smith's work is particularly strong. He wends his way through the major international institutions, providing useful descriptions of the work of each, their histories, their responsibilities and the limitations of their mandates. He focuses upon relatively new actors, eg, the European Economic Community, and reminds us of those old-established institutions which most observers overlook, eg, the Sovereign Order of Malta. His analysis of the roles of non-governmental organisations and bilateral donors are insightful, though too succinct. He could well have added to his catalogue the emergence of others such as the Liaison Committee of Voluntary Agencies in Brussels.

Furthermore, the addition of available statistics on bilateral assistance to afflicted nations would have provided a more than useful perspective to the author's rather bland statement: 'The most important contributions to relief operations are frequently made bilaterally.' (p 124) Donor governments' increasing inclinations to provide disaster relief through bilateral channels are not necessarily a happy trend. Humanitarian aid and politics have always been a peculiar though understandable admix. The fact that the balance might be more and more weighted in favour of the political component is perhaps the sort of consideration towards which Macalister-Smith should have alerted the reader.

Despite this comment, the author's cataloguing of relief institutions is well done; so, too, is his overview of the legal framework governing international humanitarian assistance. He has covered a tremendous amount of ground without lapsing into too many 'legalisms'.

Nevertheless, his strength is in compilation rather than analysis, and this leaves open certain areas of frustration. There is no attempt by the author to explain why the present body of international humanitarian law has so many gaps. Institution-building seems to have raced well ahead of international law, and the reasons for this might be apparent to some, but deserve more comment than the author appears willing to provide. In important areas, such as the Doctrine of Humanitarian Intervention, the author could well have offered clearer indications about how this highly contentious issue might and should be handled by the international community.

In his compendium of law, there are other areas which Macalister-Smith could have developed more fully. For example, in discussing the rights of refugees and the obligations of host countries, the Organisation of African Unity's 1969 Convention which goes beyond the restrictive interpretations of the 1951 United Nations Convention should have been explored. There are gaps, too, eg, the 1984 Draft Inter-American Convention to facilitate disaster

assistance. Yet, to point to such gaps or areas which could have been explored more fully is not to condemn this portion of Macalister-Smith's work. The overview of humanitarian law as well as the catalogue of relief institutions are both valuable additions to the literature.

Macalister-Smith's efforts to evaluate the legal and institutional relief system are not as good as his descriptions of either. The evaluation sections which follow at the end of most chapters generally do not broach some of the more fundamental problems that affect the workings of the components of the international relief network. There is little mention, for example, of the 'grey areas'—those overlaps of responsibilities—which more and more find the League of Red Cross Societies and the International Committee of the Red Cross at loggerheads. There is little insight into the organisational issues that complicate the relief process for various institutions: the uncertain mandates, the pressures from donors, the territorial assumptions of relief workers. Nor, except for a fairly standard assessment of the problems which haunted the birth and development of the United Nations Disaster Relief Organisation, are there really any profound points made to explain why inter-agency rivalries amongst the components of the relief system appear to be so prevalent. Without answers to these sorts of questions, Macalister-Smith's hope for more effective coordination of relief and a more progressive international legal framework will never see the light of day.

This said, *International Humanitarian Assistance* is still an important work. While its analysis might never touch the basic issues which hamper the relief network, its description of humanitarian laws and institutions offers a much needed guide—a route map—through the complex relief network.

It is very important for those involved in disaster relief to understand the laws and institutions which frame the relief process. However, without an appreciation of what the relief process does and should achieve, the relevance of such frameworks lacks context. Only too often those involved in providing disaster relief are preoccupied with applying their own particular skills, fulfilling the mandates of their own institutions and protecting institutional interests. Too little time is spent on assessing the impact of assistance upon the only people that ultimately matter—the victims of disasters. Disaster victims—and their social and psychological as well as economic needs—frequently are ignored in the rush to apply what one analyst has called 'natural science-technological fixes'.¹

Preoccupation with technological fixes and with institutional territoriality leads one not only to ignore the real needs of the disaster afflicted but also to perpetuate myths about the causes and attitudes of victims. *Imposing Aid* by Barbara Harrell-Bond offers a powerful demonstration of these very weaknesses in the relief aid system.

¹ Kenneth Hewitt (ed) *Interpretations of Calamity* (Boston: Allen & Unwin 1983), p. 8.

In a carefully researched work, the author has brought the full weight of sociological analysis to bear on the way that the relief process affects refugees. In so doing, she has revealed the potential destructiveness of relief aid itself. 'The fault [of the relief process], writes Harrell-Bond, 'lies with the ideology of compassion, the unconscious paternalism, superiority, the monopoly of moral virtue which is built into it.' (p 363) After spending two six-month periods in the field observing the emergency operations undertaken to assist refugees entering southern Sudan from Uganda, the author clearly can substantiate this all too fundamental failing.

What is most startling about Harrell-Bond's observations is the seeming disinclination of outside relief agencies to communicate with refugees and with local peoples in the host country. Time and time again, relief agencies go about their tasks without really attempting to establish a dialogue with those whom they are supposed to assist. They act as if they are dealing with a species that was functionally different from that of human beings. The skills, the administrative and academic qualifications of so many of the Ugandan refugees in the Sudan typically were ignored as relief workers sought to impose what they felt best for hapless and helpless 'victims' and not necessarily fellow human beings. Similarly, this same condescension was reflected in the ways relief workers dealt with indigenous peoples in the area. Local peoples in so many instances had shown extraordinary generosity in assisting the Ugandan refugees, but only too often relief workers ignored local customs and courtesies as they went about organising relief programmes.

In failing to work with the refugees and local peoples, the well-intentioned efforts of both inter-governmental organisations, ie, the United Nations High Commission for Refugees, and private voluntary agencies, led to what the author describes as 'institutional destruction' on a variety of levels. Refugees with teaching backgrounds, for example, who had volunteered to teach in settlement schools were replaced by fee-paid 'professionals'. Hence, in even this activity as in so many others, self-help was undermined in one fell swoop. Ugandans who had been highly qualified administrators and agricultural experts in their own country were for all intents and purposes brushed aside as agencies put in outside 'experts' who had very limited experience. Once again, relief aid undermined very basic ways to generate a sense of community amongst the refugees.

On both national and international levels, the aid agencies—in proffering their assistance—persistently sought to undercut the very agency which should have been a major participant in the overall refugee emergency programme, viz., the Sudanese Commission for Refugees. 'Instead of recognising the positive role outside organisations could play in strengthening the hand of COMREF in [bureaucratic] "battles", the humanitarians only added another dimension to the problem and took . . . quick advantage of any weakness of the office in its relations with the government.' (p 71)

The institutional destruction which Harrell-Bond ably describes was not necessarily motivated by any inherently evil intentions. To a very significant degree, it reflected some of the myths about refugees and disaster victims that continue to be inculcated in the world of relief aid. Anyone who has been exposed to refugee work in Africa will be only too familiar with the 'pull factor' argument. The pull factor suggests that African refugees are 'pulled' across borders by hand-outs.

However, if one talks to refugees, if one carefully analyses their reasons for fleeing their homes, then the paucity of such paternalistic assumptions becomes readily apparent. The author, basing her research on very intensive surveys, has compiled sufficient evidence to challenge the myth very effectively.

A related myth is that refugees naturally seek to congregate in established refugee settlements. Here, again, Harrell-Bond—by establishing a dialogue with refugees—provides more than adequate evidence that settlements are regarded as the last resort. Only when self-settled refugees finally have no other recourse do they turn to the settlements provided by agencies of goodwill.

The inefficiency of local institutions is but another myth that is perpetuated by too many within the relief establishment. Indeed there are areas of administrative and managerial weaknesses in local institutions such as the Sudanese Commission for Refugees. However, by persistently by-passing or undermining such institutions, the humanitarian instincts and the tremendous potential which such institutions have are never allowed to develop.

What is perhaps most distressing in Harrell-Bond's analysis of the refugee emergency operations in the Sudan is the very simplistic ways that the relief process ignores the very human needs of refugees. More specifically, the psychological paralysis of the refugee is so rarely addressed by ostensibly concerned outsiders. Medicines, food and clothing may all be necessary components of relief, but without sensitivity to the stresses which refugees suffer, humanitarian assistance often compounds the psychological problems of the refugee.

Imposing Aid is a rich and impressive work. The lessons learned, the myths challenged, the perspectives proffered cannot all be included in a single review. The author's analysis of the bureaucratic procedures, the inter-organisational rivalries, the definition of roles amongst the various components of the relief network deserve a much more extensive treatment. One might argue that *Imposing Aid* lacks a certain balance. It is generally very critical of relief agencies, though the criticisms of them are well documented and justifiable. However, perhaps there should be a companion volume in which emergency relief is viewed from the perspective of the relief agencies themselves. Such a volume would most likely not absolve the agencies of the failings to which Harrell-Bond points, but at least it would give greater understanding about why such failings occur.

Even this 'gap' does not fundamentally alter the general conclusion that *Imposing Aid* stands out as a landmark in the growing literature on disasters and disaster relief. It does no less than challenge the very core of the ways that humanitarian assistance is viewed and provided. Ultimately, it reminds us that with all our goodwill and good intentions, we too often forget that we are dealing with human beings. This is the basic message that all who venture into the increasingly professional world of disaster relief must bear in mind.

The politics of Latin America

Peter Calvert

Latin American Democracies: Colombia, Costa Rica, Venezuela

John A Peeler

Chapel Hill, North Carolina: University of North Carolina Press, 1985. 193pp. £24.00

Latin American Politics and Development (2nd edn)

Edited by Howard J Wiarda and Harvey F Kline

Boulder, Colorado: Westview (Distributed in the UK by Bowker), 1985. 672pp. £57.25

New Social Movements and the State in Latin America

Edited by David Slater

Dordrecht, Netherlands: Foris Publications, 1985. 295pp. £7.95pb

Politics, Policies and Economic Development in Latin America

Edited by Robert Wesson

Stanford, California: Hoover Institution Press, 1984. 262pp. n/p

John A Peeler's *Latin American Democracies* is a genuinely original work that breaks new ground in the study of democracy in Latin America. Some previous writers have largely overlooked the strength of the democratic tradition in Latin America. Others have been inclined to dismiss much of what passes for democracy in Latin America as mere window-dressing. But those previous writers who have sought to examine the reasons for the existence of democracy in the region have made some interesting contributions to the literature. Among these, which may well be less familiar to specialists in other areas of the Third World than they are to Latin Americanists, Peeler notes Samuel P

Huntington, who was influential in rejecting the notion that economic development would of itself in due course lead to stable, liberal democracy; Guillermo O'Donnell, who explained the collapse of democracy and the distinctive emergence of 'bureaucratic-authoritarian regimes' in the Southern Cone in the 1960s and 1970s by the exhaustion of import substitution as a developmental strategy; and Göran Therborn, who in an article in *New Left Review* in 1979 used 'a particularly narrow and formal definition of democracy which has the puzzling effect of excluding both Chile and Costa Rica as full democracies, while including Colombia in that category' (p. 38). Therborn, who regards Costa Rica only as an example of what he terms 'stable non-despotic rule', correctly notes that in no country in Latin America does a combination of international circumstances and local conditions appear to have laid what are generally considered to be the necessary economic conditions for stable democracy. Why then does it exist?

Peeler's research strategy has been to go back to the theoretical literature on liberal democracy and with it as guide to make a case study of the three regimes most widely held to exemplify liberal democracy in present day Latin America: Colombia, Costa Rica and Venezuela. All three regimes have long since outlasted the single presidential term with which they began; all have now facilitated the transfer of political power by popular election from one political party to another and back again, each on several occasions. He finds, firstly, that nothing in the nineteenth-century history of each of these countries serves to distinguish these countries economically from other Latin American states. In each case the emergence of liberal democracy occurred after a transitional period of 'masked hegemony', after which the elites made a significant accommodation with one another to avert chaos and civil war, at a time at which the armed forces were either unable or unwilling to assume the mantle of power.

This emphasis on the agreement to constitute liberal democracy is congruent with the findings of such investigators as Almond *et al.* (1973), Linz and Stepan (1978), and Nordlinger (1981), who insist on the relative autonomy of actors in the political process in determining political outcomes. There is, in sum, little evidence that economic and social conditions have determined the emergence of liberal democracy in these cases, and considerable evidence pointing to the importance of particular political actions (p. 93).

In considering the equally important question of the maintenance of such regimes, Peeler agrees that legitimacy results in part from the successful masking of hegemony in 'pluralist, competitive, strongly centrist political processes'. But it also results from performance: the liberal democracies have performed significantly better than other Latin American regimes. They are less corrupt, inefficient and violent, they have done better in distribution of material benefits to the population, and they have 'also been characterised by considerably more personal security against political violence than is the norm

in Latin America' (p 127). Significantly, however, the elite accommodations arrived at in each of these three cases conform to the norms laid down by the United States. This is but one of a number of factors that lead Peeler to assert that 'there are no sure and easy paths to the further democratisation of liberal democracy' (p 162). He recognises that the maintenance of liberal democracy—however advantageous to the majority of the population—may well be endangered by radicals who believe that by the intensification of contradictions they can achieve a full-blooded social revolution. Yet in his conclusion he suggests that the goal of eliminating possessive individualism and strengthening participatory democracy; in short, the way of life advocated by C. B. Macpherson in his *The Life and Times of Liberal Democracy* (1957) 'is emphatically more democratic than liberal democracy, and comes much closer than liberal democracy to congruence with Iberian traditions' (p 167). What then can be done to achieve this?

Measures that he recommends are: in the economic sphere, the breakup of large corporations, the banning of transnationals, and participatory management; and in the political, 'popular corporatism based in the decentralised and participatory economic system' (p 169). It is hard to see why, given his own clear, succinct and compelling argument for the relative autonomy of the political sphere, the author should at the last succumb to the temptation to underpin participatory democracy by economic measures. Worse still, unfortunately, by the experience of both Mexico (which Peeler does not even recognise as a liberal democracy) and Peru, the cost of such measures in economic terms may be so high as to rule them out of court and the political costs incurred so great as to preclude the long-term survival of the government that implements them. But this is none the less an interesting readable and provocative book which deserves wide readership and careful consideration by all those interested in the future of liberal democracy in the Third World.

Those who wish to go further in their study of Latin America will no doubt wish to have at their elbow a substantial textbook on Latin American politics. The rapidly changing pattern of ideology and conflict, and the historical instability of Latin American regimes, makes it very difficult indeed to produce such a text. In the past two main approaches have been used as alternatives: comparative study of the principal processes and structures across the whole range of Latin American states, and a compendium of country-by-country studies written to a common format. In the first edition of their *Latin American Politics and Development*, published by Houghton Mifflin in 1979, Howard J. Wiarda and Harvey F. Kline combined these two formats, and this revised and updated edition does the same in a substantial but quite manageable hardcover library edition. It is a good introduction and useful (but extremely expensive) reference work, and the editors have drawn on many of the most interesting scholars in the field for the country studies.

Modern publishing techniques certainly make it possible to produce worthwhile books at reasonable prices. *New Social Movements and the State in Latin America* is a collection of articles from a workshop held in October 1983 by the Centrum voor Studie en Documentatie van Latijns Amerika, bringing together the expertise of Western European social scientists in this area.

The papers are broadly grouped under four headings: 'Theoretical departures and delineations', 'Social movements and the city', 'Regions, social conflict and the state' and 'Revolutionary change, popular hegemony and the role of the women's movement'. As will be seen, it interprets the term 'new' somewhat broadly to form a 'highly diverse and multi-faceted list of social movements' reaching beyond the feminist movement, the ecology movement, the peace movement and the anti-nuclear movement, to include a range of cultural phenomena which many might not normally think of as political. As the editor makes clear, this is not accidental. In the post-Marxist context what is being called for is nothing less than a redefinition of the political.

What David Slater sees as different about the new movements can be expressed in three sentences. They constitute, he argues, 'new forms of struggle in relation to new forms of subordination and oppression in late capitalist society'. They reject the 'representation of interests model' and break with the notion of the primacy of the economic. And they stress high levels of participation in decision-making. These theoretical premises are amplified and extended by Ernesto Laclau in a characteristically challenging article on 'New social movements and the plurality of the social', in which he rejects both the position of the social agent in relation to a definable group (i.e. class analysis) and the notion of stages as being relevant to the concept of 'unequal and combined development'.

In the Alice in Wonderland world of developmental theory the flamingoes of the Right are curling up and the hedgehogs of the Left uncurling—and both seem to be changing places. The Left is now urging the primacy of the political; the Right, the primacy of the economic. But the collection of essays edited by Robert Wesson shows how the attempt to keep track of what is going on can lead to unaccountable oddities. The intention is good: to investigate the 'gap between a few rich nations and the many poor to very poor ones' by commissioning a series of essays linking politics, policies, and economic development in several selected Western Hemisphere countries. The authors are distinguished, and a list that comprises Paul E Sigmund on Chile, Gary W Wynia on Argentina, Martin Weinstein on Uruguay, Werner Baer on Brazil, David Scott Palmer on Peru, William Glade on Mexico, Bruce Bagley on Colombia, John D Martz on Venezuela, W Raymond Duncan on Jamaica and the editor himself on Costa Rica is bound to produce much that is interesting and worthwhile. Some of the individual studies are very good indeed.

But where is Cuba? Where indeed? '... Cuba, although unequivocally Latin American, has been omitted because it is too variant to offer useful

comparisons with the other countries.' In what respects? 'It is not a member, for all practical purposes, of the hemispheric trading community; 70 per cent of its foreign trade being with the Soviet Union.' Seventy per cent of Mexico's trade in 1980 was with the United States and that country is included; might the comparison not be instructive? 'The Cuban economy is as politicised as the leadership can make it'—what Latin American economy is not?—'and it is constrained not only by internal planning but by the requirements of the Council for Mutual Economic Assistance, the Soviet bloc economic agency', i.e. they get a stabilised commodity price for their sugar crop. 'The chief pillar of the Cuban economy is the Soviet subsidy equivalent to \$4-5 billion per year'—would this not be an interesting dimension to explore, given the widespread belief in the virtues of economic aid? But no—'The Cuban experience consequently seemed irrelevant for the purposes of this volume.'

Back, then, to the purposes of this volume. The editor takes a moderate position: he believes in democracy, both for its own sake and as the most efficient way of responding to wants and needs. He follows Dumont in disillusion with state-led development in the Third World, but accepts that the arguments for state-led development are 'strong, or at least very persuasive' (Introduction, p xv). So he seeks to investigate alternative models of economic development. But why leave out the one system that is different from all the others? As it is, he has to conclude, rather disappointingly:

The most obvious conclusion to be drawn from the preceding studies is that it is difficult to draw any firm conclusion. The interrelationships of politics and economics even in the relatively limited ambit of Latin America are enormously complex and dependent on numerous factors, internal and external, many of them poorly knowable or unpredictable.

As he rightly says, if the book had been written in 1978 the judgements would have been very different. But there is another moral. Comparison with David Slater's book reveals it: in the field of developmental studies there is a compelling need not simply for country-by-country analysis, nor simply for broad theoretical overview, but for a combination of both. This book is, like the others, a serious and well-founded academic enterprise, and it undoubtedly will be of interest to others concerned with and about the economic development of the Third World. But it could have been more interesting. A Cuba which has voluntarily submitted to an economic regime more severe than anything the IMF has ever dreamt of, which has come to hold up dependence on monoculture as a model to be admired rather than rejected, which has recently urged Nicaragua not to provoke the United States by excessive radicalism and which has, while urging other Latin American states not to do so, quickly come to an accommodation with its own creditors, seems to have something to teach others, even if it is not precisely the lesson that either Left or Right might have thought likely a decade ago.

Nationalisation—A Road to Socialism?

Dianne Bolton

London: Zed Books, 1985. 178pp. £6.50pb

Dianne Bolton's book concentrates on the effects of nationalisation in Tanzania. It shows the different reasons under which nationalisation can occur without any connection to the objective of socialist transformation. Dianne Bolton considers case studies of nationalised sisal estates, partly nationalised estates and those which have remained under private control in the Tanzanian sisal industry.

Dianne Bolton begins chapter one by examining the ideological claim that nationalisation in Tanzania was undertaken as part of a socialist strategy and in the interests of workers and peasants. She explores various theoretical underpinnings of nationalisation. She situates the nationalisation process in Tanzania in a post-colonial setting with regard to the sisal industry. In chapter two she focuses on the actions of politicians, investors, management and labour resulting from nationalisation. But, she first outlines the historical factors relevant for policy formulation with regard to the nationalisation strategy. Chapter three takes up the issue of economic factors which have influenced nationalisation in the sisal industry. She explores the inter-relationships between the problems experienced by the sisal industry due to world market conditions and the structural changes in the sisal industry brought about by nationalisation policies undertaken as a result of Tanzania's ideological commitment to socialism in 1967. Chapters four and five deal with more specific aspects of political change within the sisal industry and consequent economic effects. Dianne Bolton shows how management attitudes and policies can affect the necessity for state subsidy within the industry and describes circumstances under which resources are being dissipated in some estates. Chapter six analyses state labour policy during the post-Arusha period. This chapter documents in a historical setting the stages in the development of worker consciousness and organisation—but Dianne Bolton does not analyse the class character of political ideology but the contradictions arising from questions of participation and control. Chapter seven concludes the book with a note on the transition to socialism.

This is a very important contribution in international labour studies. It is written at a time when the sisal plantations in Tanzania are faced with labour shortages and when previously nationalised firms are being returned to private ownership. Dianne Bolton has argued that nationalisation in Tanzania was undertaken in order that the government might easily remedy the structural imbalances inherited from the colonial period, and that party ideology stressed the importance of counteracting traditional sources of indignity inherent within the management/labour relationship. I agree that Mwongozo Party Guidelines of 1971 was issued as a directive on worker participation in public enterprises but other than the reasons given, I think it was badly interpreted. It was a well intentioned directive, but it never worked to the expectations of the bureaucracy. It created an eroding effect on the minimum level of worker discipline needed for the efficient performance of the public sector. The interaction of Mwongozo in different places of work, particularly in industry, created a permanent conflict between labour and management, thus contradicting the express objective of an efficient management system. Dianne Bolton has argued that nationalisation led to the employment of new management with little experience of the industry. She argues that

this has led to a certain level of inefficiency. This flow of argument tends to take us back in the late 1960s and early 1970s when nationalisation had just been undertaken. It should be noted that some managers are as old as the Arusha Declaration in their current positions. But decisions are often slow and government directives are not implemented as required. Their inefficiency must therefore be explained in terms of their rent-seeking behaviour.

However, the book is quite interesting. The chapters are fairly even with respect to the quality of scholarship and content and the writing style is clear.

Nevertheless the book is quite interesting and on the whole there is much I can agree with Dr Dianne Bolton. The book, distributed by Zed Press in the UK at a price of £6.50 paperback is a justifiable outlay.

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The Gulf and the Search for Strategic Stability: Saudi Arabia, the Military Balance in the Gulf, and Trends in the Arab-Israeli Military Balance

Anthony H Cordesman

London: Mansell. 1984. 1041pp. £23.00

Gulf Security into the 1980s: Perceptual and Strategic Dimensions

Edited by Robert B Darius, John W Amos II and Ralph H Magnus

Stanford, California: Hoover Institution Press. 1984. 134pp. £21.50. £8.75pb

US Policy in the Gulf 1968-77: Aftermath of British Withdrawal

Hussein Sirriyeh

London: Ithaca Press. 1984. 297pp. £14.20

These three books are some of the recent additions to the corpus of growing literature on the Gulf area and are mainly concerned with the problem of security. All three examine the issue from a Western perspective and within the context of internal, regional and superpower rivalry.

The Gulf and the Search for Strategic Stability is by far the most comprehensive study published on the security of the Gulf. The author, a US defence adviser with wide experience in the region, is well informed on the multifaceted character of the states and provides a thorough and balanced analysis of the events, supporting this by an impressive wealth of statistics on various aspects of military development in the region. Its subtitle reflects the main contents of the book. The main theme of Cordesman's argument is that the West's security is linked to the security in the Middle East in general and the Gulf in particular. His prescription for the West is, therefore, to establish strategic stability in the area. This is possible through improving its relations with the conservative Gulf states, building up its military capabilities *vis-à-vis* an Islamic revolutionary threat from Iran or an invasion by the Soviet Union, and pressing on for

the resolution of the 'Palestinian problem' as a first step to secure peace between Arabs and the Israelis. These recommendations are sound and may even be supported openly by the local governments. However, this is no guarantee that at 'non-state' level they would be accepted and implemented.

Gulf Security into the 1980s is also a valuable book. The best chapter is that written by Amos. He has successfully applied a theory of conflict to analyse the Gulf war and the broader political problems in the Middle East. Such a theoretical approach has often been absent from the literature. Magnus' chapter on Afghanistan is a welcome addition to the book since that area is usually ignored by other writers. The author illustrates how the Soviet invasion of Afghanistan was related to the political upheavals in the Gulf, namely the overthrow of the Shah in Iran and disturbances in Pakistan following Bhutto's arrest. The chapter on 'US Policy and Gulf Security' is also quite informative. Charles G MacDonald examines the change of 'two pillar' policy after the 1979 Revolution in Iran, and the new challenges for the US in the region.

In contrast, the chapters on 'The Gulf Cooperation Council (GCC) by John Duke Anthony and 'Khomeini's policy in the Middle East' by Robert G Darius are weak in terms of research and analysis. Darius has made little use of primary sources (ie Persian and Arabic materials) while John D Anthony is rather optimistic about the success of the council and tends to ignore its many potential weaknesses. He merely concentrates on the intentions of these states to achieve a degree of security through the GCC. But he mentions neither their political vulnerability nor their practical problems (eg military coordination, compatibility, and interoperability) that such an alliance would present.

US Policy in the Gulf 1968-77 is a brave attempt to produce a book from a PhD thesis and there lies its main weakness. The reader is treated to masses of details which tend to cloud the analysis, and the author's anxiety to document every assertion in the book leads to a situation whereby he is often reduced to a mere narrator. There is no doubt that the topic is well researched, although the author does not offer a new theory or approach in the analysis. According to Dr Sirriyeh, the four major factors which influenced the US policy in the Gulf were: 'maintaining local stability', 'securing access to the Gulf oil', 'superpower rivalry in the Gulf and Indian Ocean', and 'promoting US economic ties with the Gulf.' Iran and Saudi Arabia provided the backbone of security in the area, although, as the author rightly points out, the arms sales to Iran both in terms of quality and quantity far exceeded the ones to Saudi Arabia and other littoral states. In general, Dr Sirriyeh has been successful in relating the US 'two pillar' security concept to those massive arms sales. There are some errors, eg p 15 'Soviet poliev' [Russian policy] and 'Anglo-Russian invasion of Iran in 1941' [Anglo-Soviet]; p 3 and 269, 'Soviet military intervention in Afghanistan in the autumn of 1979' [December 1979]; p 20 'Khorens Abad' [Koram Abad].

To sum up: despite its weaknesses, Sirriyeh's book should not be ignored by the specialists. *Gulf Security into the 1980s* is an important contribution and would benefit students of the Middle Eastern affairs. *The Gulf and the Search for Strategic Stability*, however, is the most scholarly work on the security of the Gulf. It is highly recommended as indispensable reading for all those interested in the area.

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Coffee and the Growth of Agrarian Capitalism in Nineteenth Century Puerto Rico

Laird W Bergad

Princeton, New Jersey: Princeton University Press. 1983. 242pp. £23.90. £12.60pb

The twin concepts of 'underdevelopment' and 'dependency', widely employed to explain recent Third World economic history, have, perhaps, enjoyed more theoretical discussion than empirical treatment. This case study of Caribbean development, which traces a familiar story of the integration of a commodity into the world economy, revealing Puerto Rico's shared experience with Latin America, helps to fill the gap. Coffee's slow early progress compared to the more flourishing sugar industry yielded to accelerating development in the 1850s before a bonanza in the last two decades brought impressive growth, land speculation and, for some, great wealth. As usual, the villains in this brief boom were foreign capitalists. Collapsing prices, the American invasion in 1898 and a disastrous hurricane left coffee growers bankrupt, fields untended and *jornaleros* unemployed. The undoubted prosperity of the *edad de oro* barely touched Puerto Rico as Mallorcan merchants, who preferred retirement in Europe to reinvesting profits locally, neither diversified the island's monocultural economy nor provided tangible long-term benefits.

The book's appeal lies also in its use of municipal records which reveal the contrasting roles of *criollo* and immigrant businessmen, the process of capital accumulation, the transformation of the social structure and the pattern of land ownership. Filled with careful research upon local business dynasties, the book skilfully demonstrates familiarity with detail without obscuring its main objectives. The uneven relationship between merchants, with access to credit and information, and up-country farmers is well known but the author revises notions that *hacendados* are unmoved by profit objectives and that a rural proletariat cannot emerge from a traditional society dominated by the *hacienda* and supported by slavery.

Literate and scholarly like all Princeton studies, the book contains helpful maps, clear graphs and enough quantification to satisfy the numerate. Gaps exist, as the author admits, in political analysis and the impact of the disasters of the 1890s. Nor do his conclusions challenge the received wisdom about underdevelopment, dependency and economic dualism. But those seeking evidence in the history of a major commodity from a lesser-known Caribbean island have much to admire in an impressive study which happily avoids polemic in combining macro-judgements with micro-detail.

ROBERT G GREENHILL

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The Disappeared: Voices From a Secret War

John Simpson and Jana Bennett

London: Robson Books. 1985. 416pp. £12.95

Ruled by three successive military juntas between 1976 and 1983, the Argentine people suffered one of the worst cases of repression in recent history. Organisations such a

BOOK REVIEWS

Amnesty International and the OAS have reported this at length. They were followed by fragmented—usually autobiographical—accounts.

Simpson and Bennett have produced a synthesis which blends the comprehensive view with personal experiences. The book is carefully researched, touching on usually unexplored issues such as the cooperation between paramilitary squads of different Southern Cone countries in the fight against what they considered a widespread subversive conspiracy. Descriptions of cosmopolitan Buenos Aires or the languid provincial towns are very vivid, and the authors have captured the melancholy and yearning for the past which are so quintessentially Argentine.

The book begins with the military coup of March 1976 and ends with the inauguration of Alfonsín in December 1983. As such, it is more a history of the Process of National Reorganisation than a book about 'the disappeared'. Whole chapters are devoted to each of the following: the history of coups in Argentina since 1930, Perón's return to Argentina in 1973, the exploits of Finance Minister Martínez de Hoz and Brigadier Cacciatore, Mayor of Buenos Aires, during the PNR period, the 1983 elections, and the war in the South Atlantic. These might or might not be related to the subject of the book, but the authors fail, with the exception of the 1982 war, to point out the relevance.

Simpson's and Bennett's discussion of the fate of those who were victims of repression is not as thorough as it could have been. By emphasising that few detainees survived, they fail to convey the full irrationality of this evil. A discussion of cases in which people were tortured, eventually released and even allowed to leave the country, or of the different fates suffered by equally innocent husbands and wives, would have shown how ludicrous the whole process was, even from the military's point of view.

Little attention is paid to Massera's demented ESMA project, in which dozens of prominent Montonero cadres were 'recuperated' and put to work as the Admiral's political advisers. The zest with which some of these ex-guerrillas applied themselves to their new tasks, the ensuing marriages between torturers and tortured, and the friendships typical of what has been called the 'Stockholm syndrome,' point to a darker side of human nature which the book misses. According to the authors, 'this book is something of a study in political pathology' (p 9). It is indeed.

MARIA JOSE MOYANO

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Church and Politics in Chile: Challenges to Modern Catholicism

Brian H Smith

Princeton, New Jersey: Princeton University Press. 1983. 383pp. £25.95. £8.50pb

The *Vicaria de Solidaridad* (Vicariate of Solidarity), the human rights agency of the Archdiocese of Santiago is the best-known institution of the Chilean church. It is frequently taken as symbolic of the whole church's opposition to the military government of General Pinochet and its commitment to human rights. The Vicaria is officially limited to Santiago but, like the capital itself, with over 4 million of Chile's 11 million inhabitants, is national in its influence, and is resented by the minority of conservative provincial bishops. It owes its existence to the personal initiative of Cardinal Raul Silva Henríquez who in December 1975 closed down the even more

controversial Peace Committee, an ecumenical agency set up immediately after the military takeover of 11 September 1973 to provide legal assistance to the victims of human rights violations.

Church and Politics in Chile traces the development of the social and political attitudes in the church and among Catholics from 1920 to the present and explains why the setting up of the Vicaria can be seen as a natural development in the Chilean church. The Vicaria was, and still is, a unique institution in Latin America. This uniqueness, however, is the result of the political culture which made Chilean democracy an exception in Latin America up to the military coup. While the attitudes of individual bishops and priests may vary, reflecting a range of political preferences, in general the social attitudes and thinking of the church have paralleled developments in the society as a whole, enabling it through declarations and pastoral letters of the Bishops' Conference to make contemporary and pertinent comments on national issues. Smith uses survey data from Eduardo Hamuy's *Centro de Opinion Publica* from 1958 to 1973 which themselves speak volumes about the confident political pluralism of the capital. The surveys undertaken by religious research institutions are evidence of the concern of the hierarchy to adapt the church to changes in Chilean politics and social life.

Brian Smith makes clear that the Chileans have been fortunate in their bishops. Many bishops present at the Second Vatican Conference, summoned by Pope John XXIII in 1962, remarked on the preparation and teamwork of the Chilean bishops, that gave them an influence out of proportion to their numbers. It is in their willingness to embrace and initiate change, as shown in their welcome for the recommendations of Vatican II and their adaptation to changes in Chilean politics, that the Chilean bishops are remarkable. This reflects a generally easy relationship with their own priests, religious and the laity which is not found in more authoritarian political cultures. The consequence is a church with traditional authority structures, still very priest-centred, but where authority has to be exercised with flexibility and a range of options tolerated within the church.

These changes were facilitated by the emergence in the 1940s and rise to power in the 1960s of the Christian Democrat party (PDC) which influenced and was influenced by the social thinking of the church. The Chilean Christian Democrat party was reformist and technocratic in its approach. Its founders were members of the Conservative party who rejected its reactionary stance on all social issues, especially land reform. There is a marked streak of anti-communism in the party and among its supporters, especially the middle class for whom it has a strong appeal. With the failure of the Frei administration (1964-70) in its latter years to revitalise Chile's flagging economy and its unwillingness to extend or deepen its reforms, there was growing political polarisation. The right, which had supported Frei in 1964 in order to prevent an Allende victory, reorganised, merging the Liberal and Conservative parties, to form the National Party. The PDC itself split, with a minority faction, including most of the youth, forming a left-wing movement which became a member of Popular Unity. The bishops retreated from their close association with the PDC while maintaining their support for reforms, preparing the way for a relationship of cordial neutrality with the Allende government.

In the last months of the Allende administration, a time of permanent crisis, the bishops continued to press for a constitutional civilian solution, in spite of private doubts about its viability. Smith's survey data show that a majority of all bishops, priests and nuns thought that a coup was inevitable. The bishops acknowledged that, apart from an

educational reform (*Escuela Nacional Unificada*—ENU), there was no threat to religious freedom under the Allende government, though there were fears about what might happen in the future, when the transition to socialism was fully realised. These fears were expressed in a pastoral letter published in September 1975 in which the bishops thanked the military for 'freeing' Chile 'from a Marxist dictatorship which appeared inevitable and would have been irreversible', a judgement for which, as Smith points out, there is no factual basis. The inclusion of this statement was the product of pressure from conservative bishops. Nevertheless it also corresponds to the beliefs of the leading Christian Democrat figures who had been ministers in the Frei government, though by that time the hopes that the military would remove Allende and the Marxist threat and then hand over power to a constitutional—and Christian Democrat—government, had long been demolished by Pinochet.

The years of dictatorship have brought about a rapprochement between the church and the Christian Democrats, as the latter have established themselves as the largest party waiting in the wings to take over from the Pinochet government. The left, still led by people active in politics before the coup, is deeply divided about the lessons which should be drawn from the failure of Popular Unity and the compromises that should, or should not, be made in order to achieve an orderly transition to democracy. Cardinal Fresno, who took over from Cardinal Silva as Archbishop of Santiago in 1983, was responsible for drawing party leaders together in 1985 to seek agreement on a democratic alternative. The result was the National Accord, published in September 1985, in which the Christian Democrats, together with smaller centre-left and right-wing groups, played a major part.

There will be further declarations and initiatives by the Chilean bishops before the military dictatorship gives way to a democratic and civilian government. An overwhelming majority of Chileans want a return to democracy and we can expect their bishops and priests, all of whom were brought up in the vigorous pluralist culture that prevailed before the coup, actively to encourage such change, while at the same time preaching the reconciliation which has been a constant theme in their pastoral letters since 1970. The church has earned the respect of all but determined supporters of the military government through its defence of human rights and its practical solidarity with the poor. There is still great nervousness about Marxism and its adherents, which has increased in Santiago-based church institutions since Cardinal Fresno took over from Cardinal Silva. The church institutions which have provided a shelter for critical thought, human rights work, grass-roots organisation and simple survival—the *Academia de Humanismo Cristiano*, *Vicaria de Solidaridad*, *Vicaria de Pastoral Obrera* and the workshops and soup-kitchens dependent on the zonal vicariates, remain timidly pluralist, but there is an anxiety on the part of the hierarchy that civil society should find a way of organising itself outside church premises. The beneficiaries often reciprocate these feelings but are only too well aware of the dangers and difficulties of independent organisation.

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Institutional Reform and Economic Development in the Chinese Countryside

Edited by Keith Griffin

London: Macmillan, 1984. 336pp. £25.00. £8.95pb

This group of papers is the product of a field study in China in Summer 1982, and participants have provided a great deal of useful and rare information and data, particular case studies of rural units down to sub-village level. However, they come work on China not as China specialists, but as a group of very experienced development economists, and this brings out one of the problems of the book: it is never quite introductory enough for general readers, but nor is it as sharply focused on dispute about rural economic systems as would benefit a discussion of the recent upsets in the Chinese system. It is a pity the disputes between the participants, which surface at times are not made much more explicit. The value of market forces and financial incentives opposed to attempts at collectivisation are part of crucial debates about China's new policies and their relevance (or not) for the rest of the Third World. Bringing the conflicts much more to the forefront of these authors' reactions to China would probably have made the book of more lasting value, given the perpetual problem of studying China—things happening so quickly that information is soon out of date.

Two of the most telling aspects of this are i) the rapid virtual privatisation of major rural industrial and service enterprises in the years since their visit (though the trend ought to have been noticed and commented on even then), and ii) the much more widespread development of rural wage-labour. These two factors alone are sufficient to undermine much of the wishful thinking about the new responsibility system presented in Griffin's analysis (jointly with Kimberly Griffin in the crucial chapter 2), which suggests (in contrast with the Chinese government's own desire!) that the responsibility system is likely to be more egalitarian than the work-points earned in the communes before they were abolished in 1982. As soon as rural entrepreneurs enter the Griffins' idealised scene, and even farmers begin employing wage-labour, the official desire to see 'some get rich first' should be sounding loud alarms. In fact Khan (p 110) does dispute important aspects of the Griffins' views, and at one point suggests that data carefully analysed by them (concerning distributed collective income) are meaningless.

Some of the information provided is of restricted value for another reason: the field studies were conducted in a few localities in two provinces. One in the south-west, Yunnan—is an area peopled by a significant number of non-Han 'national minorities' whose rural economy is hardly representative of the major Han regions. This is not to dismiss its value as information—such studies are hard to come by. The other, Sichuan—is mainly Han and much more representative of key aspects of the dominant economy, and a much better choice. It is useful too in that its provincial government experimented with the 'reforms' before other parts of the country, so it is indicative of what has developed elsewhere.

While much of the book deals in one way or another with the post-1967 introduction of the responsibility system in agriculture (in which practically all land and major enterprises have been contracted out to individuals or families who now operate on their own), there is a division of labour between the contributors (based on their individual expertise) which tends to create divisions in the treatment of agriculture on the one hand and (rural industrial) enterprises on the other. Lee is best at avoiding this in his use

and less opinionated chapter on employment and incomes. Enos provides data and assessment of pricing and planning policies in regard to rural industry, but does not link these issues to the income distribution and employment questions.

It is curious that Griffin's analysis (given his sensitivities to the exploitation of Third World peasants) is not better keyed in to the trends in China's economy towards commoditisation and market mechanisms, especially since these have also created personal control of very significant segments of the rural means of production (and hence individual/family expropriation of surplus). As well as Khan, we find that Ghose (on rural strategies) and Saith (on the one child family population policy) are more critical than Griffin of the social inequalities inherent in the reforms. Perhaps the crucial question is not whether the new policies are egalitarian, but whether China's new and rapid economic growth is going to produce net increases in economic (and social) welfare from all inhabitants in the not too distant future, despite current increasing inequalities.

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Refugees and Development

Edited by Ernest E Boesch and Armin M F Goldschmidt

Baden-Baden: Nomos Verlagsgesellschaft. 1983. 140pp. np.

Tradition and Dynamism among Afghan Refugees: A Report on Income-generating Activities for Afghan Refugees in Pakistan

Geneva: International Labour Office. 1983. 174pp. £5.70pb

These two books, whilst written from different points of view, on two different levels, are indications of the fact that in this century the dramatic social phenomenon of forced migration has given rise to a totally new field of academic and non-academic research—refugee studies. Development of scholarly interest in this multi-disciplinary field is something that should be encouraged, not only in the interest of refugees, but also in the interest of the host countries which tend to be some of the poorest in the world. Today, these Third World countries are affected by flows of refugees which add further problems to those already existing and which still await solution.

The first publication attempts to discuss the problem from the more general theoretical view, leaving aside individual cases: it was the outcome of an international conference organised by the Development Policy Forum of the German Foundation for International Development (DSE) in consultation with the United Nations High Commissioner for Refugees (UNHCR), held in West Berlin, 13–17 September 1982. The conference brought together—for the first time—senior officials from African and Asian host countries to exchange experiences and discuss problems and solutions.

The most valuable chapters are concerned with proposing a programme for future research and give the final conclusions of the conference. We learn among other things that to prevent refugee studies from becoming over-academic and without relevance to practical refugee work, the planning and implementing agencies should be closely involved in these studies.

The second book is much more specific. It focuses on the case of the Afghans who constitute the biggest refugee problem in the world. The report shows us how theory could become practice. It was written by the participants of a mission organised by the International Labour Office (ILO) in Geneva in response to a request received from the UNHCR in consultation with the Government of Pakistan. The major objective of the mission was to make suggestions regarding long-term solutions for the Afghan refugees in Baluchistan and the North West Frontier Province. The mission gives some clear-cut conclusions and recommendations on income-generating activities which are considered a very important instrument in furthering greater self-reliance. The design of the proposed project rightly take into account the predominant social, cultural and economical features of this highly heterogenous population. It points out that the training programme should be designed to upgrade the basic traditional skills of the refugees as well as to introduce some new modern skills on which the refugees themselves lay much emphasis and which would be useful to them not only now, in and around the camps, but also on return to their country. A totally innovative feature of the proposed training programme seems to be the use of mobile training units to reach the more remote and outlying refugee areas as well as to ensure maximum flexibility in terms of the content and duration of courses.

I also recommend that the reader pays attention to the annex on conversations with refugees. These excerpts give a valuable insight into Afghan refugees' camp life.

The major fault of the study is the very short period of time which the mission devoted to field visits (only three weeks) and the statement 'at least two hours were spent in each village'. Also the number and selection of Afghan refugee villages as 'representative' is unsatisfactory since the deciding criteria was that of relatively easy access to them.

'What should we do?' is an unwritten question which emerges from the pages of both books.

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The Church in Brazil—The Politics of Religion

Thomas C Bruneau

Austin, Texas: University of Texas Press, 1982. 235pp. £22.95

In his book *The Church in Brazil*, Professor Thomas C Bruneau presents a fascinating case study of the history and recent development of the church in a country where 90 per cent of the population of 120 million are said to be Roman Catholic.

The author has undertaken the daunting task of attempting to integrate an analysis of the Church as institution with an investigation into religious beliefs and practices, whilst at the same time examining the Church at both national and diocesan levels. Most importantly the book also looks at the growth and development of Basic Christian Communities (BCCs) in Brazil. This grass-roots movement is seen by many people as one of the most significant developments in the modern Catholic Church.

A brief historical review outlines the way in which the Church has always played an important role in Brazilian society. Beginning with discovery and colonisation, which is

described 'as a joint endeavour of the Portuguese Crown and the Catholic Church', the author goes on to explain the integration of church with state and society at all levels. Bruneau contends that despite the assumption that as a result the Church 'enjoyed a monopoly over religious belief and practice', in fact a situation was established whereby the institution has had little influence over 'a dispersed population in a huge country.' A consequence of this is that even though adherence to Catholicism was obligatory 'religion for most of the population evolved independently of the church'. This, in part, explains the variety of popular religious practices and beliefs, including, for example the various flourishing spiritist movements and cults. It also helps to explain why recently Protestant sects have been able to take root relatively easily.

At the same time, the type of popular religiosity which was promoted by the Church acted as a 'pacifying agent' and this coupled with the historical integration of Church and State has 'fostered tremendous stability and continuity in Brazilian society and politics'.

The book goes on to trace the later history of the Church through Republicanism and disestablishment and analyses the way in which the Brazilian Church gradually forged closer links with the Vatican, developing, at the same time, a Western European orientation which was inappropriate for 'rural underdeveloped Brazil'. Later co-option by the Vargas regime in the 1930s and the adoption of a pastoral strategy directed towards the middle and upper classes served to reinforce a system where the rural and urban poor were largely ignored by the institutional Church. This situation was to last until after the end of World War II and the development of what Bruneau calls 'Brazil's pre-Revolution'.

During the period 1950-1964 rapid changes were taking place in Brazilian society. Increasing industrialisation and urbanisation together with rising expectations for a different kind of political system drew the Church more and more into active involvement with the promotion of structural change in Brazil. This radically different approach was articulated chiefly through the National Conference of Brazilian Bishops (CNBB), which was founded in 1952, and the very important lay movement Catholic Action. In describing the development of this new role for the Church the author argues that a major reason was the realisation for the first time, by the Brazilian bishops, of the lack of real influence of the institutional Church on the majority of the Brazilian people. Since the military coup of 1964 this new orientation of the Church has been consolidated and strengthened, albeit unevenly. As a consequence, privileges have been relentlessly withdrawn by the state and church personnel have been repressed.

Bruneau argues that current Church strategies can only be understood in relation to the nature of the state as it developed after 1964; he therefore devotes a chapter to *The Brazilian Regime 1964-1980*. He believes that as the Church's critical role became further refined, especially since the Second Vatican Council and the historic Conference of Latin American Bishops at Medellin, Colombia in 1968, 'the Church has become the primary institutional focus of dissidence in the country'. He further believes that it was the repressive nature of the regime itself which 'forced this role on the Church' and that in choosing to assist those sectors 'seeking their liberation' the church 'acts prophetically' and is in a way providing 'a counter-model' to that developed by the military. Signs of this 'prophecy' are to be found in the creation of special national church groups to deal with specific issues, eg human rights, land, Indians. Although there is not complete unanimity among the Bishops there is sufficient agreement to enable the CNBB to regularly issue important public statements, especially since the

mid 1970s. At the diocesan level, however, the Church does not implement national policy evenly and the author analyses this aspect very effectively through the findings of a survey carried out in eight dioceses, with varying degrees of commitment to the Church's new strategy. He concludes that those dioceses that 'fall in line do so for essentially the same reasons that caused the national church to change'.

The last part of the book deals with the development and growth in Brazil of Basic Christian Communities (BCCs). These communities, which are replacing old parish structures, are vigorously promoted by the CNBB. Bruneau argues that even at what is described as 'this rudimentary stage' the BCCs (or CEBs) 'hold clear implications for the nature of religion, church structures and processes and change in the larger society: for religion because they base their work on the Bible and are communally, rather than individually, oriented; for the church because they bring the institution closer to the Brazilian reality and oblige both clergy and laity to face concrete concerns; and for the larger society because they provide a model or nucleus for participation and an impetus for other groups to take root and assume roles in the larger society and polity.'

The author concludes that the church 'is not going to bring on "the revolution" singlehandedly.' However, by the promotion of change the church is assisting a 'more general process' and is 'defining a role and position for itself fully consistent with the radical roots of the Gospel message so often voiced but so seldom carried forward.'

In an epilogue to the book, the 1980 Papal visit to Brazil is described and commented on. During the visit the Pope specifically supported the CNBB, progressive bishops and the BCCs. The Pope's words and actions are interpreted by the author as providing 'unambiguous support for the progressive socio-political orientation of the Brazilian church.'

Bruneau has provided a valuable and perceptive analysis of the processes which have been taking place in the Brazilian church in recent years. Since the book was published the military have given way to a civilian regime (a fact which Bruneau believed beforehand would provide an important test of the durability of the new pastoral options of the institutional church). The controversy over the Theology of Liberation has sharpened inside the church and Rome has intervened directly in the Brazilian church with the temporary silencing of the theologian Father Leonardo Boff. The championing of Father Boff by the institutional church in the persons of Cardinals Arn and Lorscheider (who accompanied him to his investigation in Rome) and the fact that there has been no visible stepping back from the commitment to the poor encourages the belief that the process described so ably by the author is likely to continue.

The impact and consequences of these development in the largest Roman Catholic country in the world, on the universal church, are as yet not fully clear. It may be that when they are understood the results could be momentous indeed.

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Transnational Corporations versus the State: The Political Economy of the Mexican Auto Industry

Edited by Douglas C Bennett and Kenneth E Sharpe

Princeton, New Jersey: Princeton University Press. 1985. 300pp. £30.20. £7.20pb

The sub-title of this book, 'The political economy of the Mexican auto industry', denotes the clear intention of the authors to provide a much broader view of the development of the Mexican auto industry than that provided by a narrow focus on bargaining between the state and multinationals. By situating bargaining relations within the context of the international economy and by broadening the bargaining perspective to include discussion of what issues the opposing sides raise or fail to raise and why, the authors hope to provide 'a historical-structural method that is neither deterministic nor voluntaristic.' (p 4)

It is not clear that the analysis in the main part of the volume can bear the weight of such pretensions. The core of the book is six chapters which analyse three successive stages of bargaining between the Mexican state and the auto multinationals (in the early 1960s, late 1960s and late 1970s), and the outcome of the agreements reached in terms of the auto industry's development. The bargaining accounts show Bennett and Sharpe at *their best*. Empirically, they provide a considerable degree of detail about the plans, proposals, compromises and consequences of each of the three stages of bargaining, starting with the original shift to local production in the early 1960s and then moving on to the redirection to export promotion in the late 1960s and also in the late 1970s. The authors clearly have considerable knowledge of both the industry's development and the way bargaining between the multinationals and the state took place. Theoretically, too, the bargaining chapters incorporate the perspectives which arose out of political science debates on power, considering not only the bargaining which actually took place, but also the items that did not reach the agenda because of agreement between the parties or an acceptance by one party or the other that the issue could not be won.

Alongside these chapters, the wider perspective of the world economy, dependency and state formation sit somewhat uneasily. The opening chapters fade into the background, and wider considerations only pop up occasionally. The impression remains that they have been grafted on to the bargaining perspective, and a lot of the more general material clearly has not received the same degree of first-hand investigative attention as the bargaining elements. The material on the international auto industry is adequate but not original, and the chapter on the Mexican state does not give enough information on capital accumulation in Mexico. In the end, one is left with a good, well-researched book on bargaining between the state and the multinationals, which makes some attempt to problematise the state as an actor and an effort to locate firm strategies within the context of the changing international auto industry. At this level, Bennett and Sharpe provide sound and comprehensive scholarship.

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The Growth of Manufacturing Industry in Tanzania: An Economic History

M S Silver

Boulder, Colorado: Westview Press, 1984. 322pp. £25.00

This book outlines the various features of the development of manufacturing industry in mainland Tanzania since the colonial period up to the early 1970s. Considering its size and its poor quality of print, this book distributed in the UK by Bowker Publishing Company at a price of £25 is quite expensive. However, the book is quite useful and important for an analysis of Tanzania's future development. It is this aspect which makes the reaction of the reviewer one of sheer delight.

M Silver sets himself an important task of evaluating the manufacturing sector stage by stage since the colonial period. He does this in order to identify the constraints operating on Tanzania's potential development. His major argument in chapter one is that the manufacturing sector in Tanzania emerged almost as an appendage of colonial government emphasis on a few agricultural and mineral commodities. This is facilitated by an analysis of the development of the agricultural sector and the considerable amount of investment in infrastructure and how this in turn led to major developments in agriculture and—subsequently—to processing industries. Exports at that time were concentrated around the processing of export-oriented agricultural produce and basic food manufacturing. Silver argues correctly that this export trade which was tied to the economic infrastructure was largely instigated by the colonial government at a considerable social and economic cost to the indigenous population. Chapter two discusses the state of the economy at independence in 1961. He concludes that the economy was predominantly agricultural and the few consumer goods industries which were established during the colonial period continued to receive emphasis even after independence catering for a minority few. Chapter three forms the heart of the book. It presents the growth of production of manufacturing industry during the post-independence period up to 1972. He shows that between 1962-65 there was an increase in the number of manufacturing establishments providing consumer and industrial goods and services relative to other manufacturing establishments. But the country's economic development strategy continued to be one that presented an attractive investment climate with tax incentives and cheap labour since most major resources were to come from abroad. After 1965, there was a shift in emphasis from the manufacturing sector's reliance on food processing and cotton ginning industries to modern manufacturing such as oil refining, cement, machinery and the spinning weaving and finishing of textile goods. Chapter four identifies trends in employment and labour productivity in the manufacturing sector while chapter five examines the changes which took place in average earnings within the manufacturing sector over the period. The major focus of the chapter is that output per employee increased at an overall slower rate than earnings per employee. In other words, the potential for self-generating growth in Tanzanian manufacturing was restricted by the low growth in labour productivity relative to the growth in earnings per employee. Chapter six examines in detail how the surplus generated in industry was being used for capital formation. His main observation is that growth in capital formation was relatively low. Most surplus was generated by parastatals which were created after 1967 and financed from local sources. Chapter seven looks at the ownership of manufacturing production

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particularly after the nationalisation measures of 1967 following the Arusha Declaration. Chapter eight examines the question of regional distribution of manufacturing firms and income inequality, while chapter nine concludes the book.

Silver's stage-by-stage documentation of the major developments of the Tanzanian manufacturing sector since 1884 attributes the rapid growth in production and employment to the high rates of investment in a small number of relatively large establishments primarily in the parastatal sector. Bearing in mind that this book written in the 1980s when there is widespread disillusionment about parastatals in Tanzania and about import substitution industrialisation in the rest of the Third World countries with these kind of measures, one would have expected a clear analysis of the major weakness(es) of the Tanzanian industrial sector. This is important from the viewpoint of policy analysis. The book contains no policy recommendations as to the future of the manufacturing sector in Tanzania. By 1972 enormous manufacturing capacities had been created. Silver mentions quite tangentially about the foreign exchange problem facing the industrial sector for buying raw materials, spare parts and machinery. In Tanzania, it was expected that the growth of the manufacturing sector would be faster than the rest of the economy. But the manufacturing sector created in Tanzania is import-intensive and by implication, this means that the growth of the manufacturing sector means that the demand for imports has had to grow rapidly. However, the supply of foreign exchange in Tanzania is generated by the agricultural sector which has been growing more slowly. This trend of analysis would have shown that after some point, the growth in demand for imports would exceed the supply of exports leaving the manufacturing sector foreign exchange constrained. It is this type of analysis which would have formed an important part of the book's policy recommendation for any future development programmes to be undertaken in the Tanzania manufacturing sector.

Nevertheless, the book is a useful contribution to the available stock of knowledge about Tanzania's development process. Mistakes such as: 'the effects of economics and diseconomics of scale' which, I believe, should read: 'the effects of *economics* and *diseconomics* of scale' (p 169) etc. need to be corrected.

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The Making of Foreign Policy in China: Structure and Process

A Doak Barnett

London: I B Tauris. 1985. 173pp. £16.95

Japan and the Developing Countries

Edited by Kazushi Ohkawa and Gustav Ranis

Oxford: Basil Blackwell. 1985. 456pp. £17.50

East Asia contains a remarkable range of states, from wealthy Japan, through the

booming newly industrialised countries to the poorest Southeast Asians such as Laos. Comparisons between patterns of development within the area, and with other developing states further afield, is an academic growth area that often brings together scholars from economic history, politics, sociology and international relations. The two books under review are examples of the best in current research.

Doak Barnett is one of America's longest serving and most sensible sinologists. His brief monograph—the first serious analysis of the making of China's foreign policy—will only reinforce his reputation. It is based on primary research, including high-level interviews in China in the summer of 1984. To a certain extent, Barnett is a captive of his sources; for example, he places great store by his interview with Premier Zhao Ziyang and the current Chinese pretence to 'free and frank' exchanges of ideas. Virtually no information is provided on the espionage and dirty tricks side of Chinese foreign policy, nor the special *ad hoc* arrangements for crisis management. Significant portions of biographical information are already out of date, and the description of bureaucracies does not help us to understand why Chinese foreign policy has shifted so wildly in the past thirty-five years.

But it would be churlish to harp on the problems in a book that clearly breaks important new ground. The detailed assessment of how the Chinese foreign policy bureaucracies run will be deeply appreciated by all students of China. They will not be surprised with Barnett's conclusions that China's foreign policy is becoming more technocratic, systematic and professional. His belief that the locus of power has shifted from the Standing Committee of the Politburo to the Secretariat and State Council is of interest, but will probably not convince the specialist. One can only hope that the 'open door' that allowed Barnett to undertake this initial survey will allow successors to follow with more complete analyses.

No such limits on sources hinder the editors and contributors to the other book under review. It is the result of a joint project by Yale University's Economic Growth Center and the International Development Centre of Japan which attempted to uncover what part of Japan's development experience was relevant to developing countries.

The detailed chapters are too complex to be adequately covered in a review, but the superb introduction by the editors covers the ground in summary. The range of issues assessed is impressive, resulting in persuasive conclusions in most cases. The most salient points include the emphasis on cultural dimensions of policy, the complex components of a sensible development strategy, and the relative unimportance of the external environment. For example, detailed analysis suggests that Japan's development was made much easier by the fact that the modernising samurai came from a class with few vested interests to lose. Also, land-saving techniques such as improved rice yields were more important than the attempt to extend cultivation into ever more marginal areas.

The contributors also make much of the need for flexible financial sectors to make the best use of saving and investment. Realistic interest rates unhindered by ceilings may hurt the ruling elite's supporters in the cities, but they do enhance growth and the interests of the people at large. The central theme is therefore the view that development essentially depends on sensible domestic politics. Export-led growth is a useful strategy for some states, but would clearly not work even if all developing states attempted it. As the editors conclude (p 16), the contemporary international economic environment 'certainly can stand considerable improvement', but it 'is not the principal

stumbling block keeping developing countries from achieving successful transition growth'.

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Pretoria's Praetorians: Civil-Military Relations in South Africa

Philip H Frankel

Cambridge: Cambridge University Press. 1984. 215pp. £25.00

The first part of this monograph is concerned with the genesis and development of armed forces that have evolved from competing civil military traditions: the British model, stressing the Defence Force's subordination to the politicians; and the *kommando* one with its emphasis on irregular guerrilla action by a nation-in-arms (Afrikanerdom) in which the distinction between the civil and the military is blurred. According to the author, since the early 1960s there has been an incremental shift away from the liberal Western ethic towards the *kommando* format where there is 'a strong coincidence in the personnel occupying elite civil and military positions' (p 25). At the very core of this nexus are the key figures of General Magnus Malan and P W Botha.

An arms boycott and the growth of a siege mentality—both products of apartheid policies and South Africa's pariah status in the world community—have brought this state of affairs into being. This has enabled the soldiers to project their national security role by stressing 'total onslaught' and its ideological counterpart 'total strategy'. For them, the threat can be tackled only through a concerted programme of long-term politico-military action. Thus, as the military supremo in Namibia, General Meiring, admitted to me in 1985, such operations (with their stress on Beaufre's 'dialectic of wills' where 'grey matter takes over from brute force') inevitably expand military influence in the public policy-making process. In Frankel's words, total strategy therefore 'engenders the psychological and institutional atmosphere conducive to the growth of a garrison state' (p 70).

It is this dynamic that lies at the heart of the Republic's militarisation: the burgeoning Defence Force) gradual incursions into scientific, educational and recreational arenas; extraordinary growth in domestic arms production; the SADF's (South African Defence Force) gradual incursions into scientific, educational and recreational arenas; extension of the conscription system and the subject races' recruitment into the security forces through the 'economic draft'; the displacement of the National Intelligence Service (previously BOSS) by the Directorate of Military Intelligence in the intelligence community hierarchy; as well as the appearance of khaki-clad figures in the top executive bodies, especially the State Security Council. These developments—which have bred a constellation of responses from groups whose opposition to militarisation ranges from the actively hostile to the mildly equivocal—are carefully catalogued in the author's central chapter.

However, for all of this, there is insufficient evidence to demonstrate that the South African military has moved into a more or less equal partnership with the Nationalist politicians (let alone into a position of *primus inter pares* or pre-eminence) which the

author's interchangeable use of the terms 'praetorianism' and 'garrison state' at the very least signifies. Instead it would seem that these military intrusions are the product, primarily, of the armed forces' co-optation by civilian state structures rather than *vice versa*.

On the other hand, this ambitious and wide-ranging study is the first comprehensive attempt to cover a subject of growing complexity and significance. Of the military's heightened influence there can be no doubt. And as Frankel so tellingly concludes, 'There is a certain irreversibility in the process. . . . each successive step into politics comes with greater ease than its predecessor' (p 181).

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The Economies of the West Bank and Gaza Strip

Fawzi A Gharaibeh

Boulder, Colorado: Westview Press. 1985. 182pp. £19.50pb

Despite the great amount of literature on the Israeli-Palestinian conflict and the policies of the Israeli occupation of the West Bank and Gaza, little attention has been paid to the economies of the occupied Palestinian territories. Nor have the economic policies of the occupier received the attention which they should have received. One of the earlier attempts to correct this deficiency and fill the gap in our knowledge was the 1977 pioneering work, *Benefits and Burden: A Report on the West Bank and Gaza Strip Economies Since 1967* by Brian Van Arkadie and published by the Carnegie Endowment for International Peace. In that important study Van Arkadie analysed the extensive network of economic linkages which Israeli authorities developed soon after the 1967 occupation and which turned the territories into captive markets, sources of cheap labour and, ironically, a conduit for the transfer of Arab money to the Israeli economy through the remittances sent by Palestinians working in the oil states. As Van Arkadie pointed out, these aspects of exploitation were made possible by the fact 'that Israel has exercised complete control over the West Bank and Gaza Strip economies . . . similar to that exercised by a metropolitan power over a non-self governing territory.'

Dr Fawzi A Gharaibeh's book, written almost a decade after Van Arkadie's work, provides the reader with a wealth of statistical data on the economies of the West Bank and Gaza, their place in the context of the Jordanian economy prior to the 1967 War, their contribution to the Israeli economy, and their dependency status on Israel's economic policies on the one hand and on economic changes in the oil-producing states where hundreds of thousands of Palestinians work. In one sense one could say that Gharaibeh's fifty-six tables provide the statistical confirmation for Van Arkadie's analysis and conclusions regarding the naked exploitation of the occupied territories' labour, natural resources, and markets.

One of the puzzling aspects of the book is Dr Gharaibeh's approach to his subject. After having supplied the reader with his dazzling array of data, Dr Gharaibeh then

devotes the shortest chapter (six pages) in the volume to a description of Israeli economic policies in the West Bank and Gaza. The value of the volume would have been greatly enhanced had the author dealt with Israeli economic policies in more detailed fashion and integrated such analysis into the main body of the book. The failure to integrate the meaning and the impact of policy measures with statistical information deprives the book of much of its analytical value.

In the last chapter of the book, Dr Gharaibeh provides a good analysis of alternative economic futures for the occupied territories under three different sets of conditions: a) continuation of status quo; b) annexation by Israel; and c) transitional autonomy to be followed by either an independent Palestinian state or by an entity linked in some type of federation with Jordan. It is to his credit that the author avoids the sterile argument as to whether a state on the West Bank and Gaza will be viable in economic terms. After all, asks Gharaibeh, without a massive infusion of external funds would Jordan and Israel themselves be viable?

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Education and Society: A Sociology of African Education

Ansu Datta

London: Macmillan. 1984. 213pp. £7.00

The book which is a study of the social bases of education in English-speaking Africa is intended to provide university students and trainee teachers with an introduction to the sociology of education.

In an overview of educational development in Africa, indigenous education and Western education in the colonial and post-colonial period are discussed. It is observed that in the early phase of colonial administration some missionaries in Africa believed that they were bringing education to an entirely uneducated people, a supposition which would have been valid if education was equated solely with literacy and formal schooling. Indigenous education which persists even now, to a limited extent, in various areas, had the main aims of preserving cultural heritage, adapting members of the new generations to their physical environment and teaching them how to control and use it and explaining to them that their own future, and that of their community, depended on the understanding and perpetuation of the institutions, laws, language and values inherited from the past. This type of education was by and large supplanted with Western schooling which stressed individualism and the tenets of the colonial capitalist system.

In the context of education and the social framework it is argued that education in Africa as elsewhere is socially determined. Traditional African societies, for example, where there was greater social homogeneity in that its members largely belonged to the same ethnic group did not demonstrate such differences in wealth, privilege and power as compared to modern industrial societies, and there was less room for social tension and conflict. Consequently, the education system was not so affected by demands of contending strata and groups. Things are said to have taken a different turn with the

advent of colonial rule in Africa. Diverse social strata and groups related to different points of productive and distributive processes came into existence. Their interests and aspirations were not always reconcilable. Thus the educational system came to be moulded by a clash of opinions with the dominant section contributing most to the pattern of development. In the early colonial periods it was the European elite which exercised supreme influence on education but the modern African elite gradually expanded and began to exert its influence especially by the end of the colonial rule.

As the book is mainly written for students of sociology of education, a detailed analysis of the social framework of education is followed by subjects which are commonly discussed in the sociology of education course programmes in educational institutions in Africa. These include the social functions of education, an analysis of the contribution education makes to the maintenance of society in which it takes place, and socialisation, a sketch of the process by which children become full-fledged members of society. It is noted that the process occurs under the influence of the family, the school, the group of close friends and the mass media. In a contemporary society it is emphasised that much of organised socialisation takes place in the school and this is discussed under 'The school as a community'. Under the role of teacher in society, the school and the wider community are examined, and lastly the book assesses the various social factors that contribute to educational inequality in Africa. In analysing these subjects, the author utilises sociological theories and method with many extensively and intensively researched examples from sub-Saharan Africa, including Nigeria, Ghana, Kenya, Tanzania, Uganda, Zambia and Zimbabwe. These examples make the book very interesting to read and relevant for the study of educational sociology in African institutions which have hitherto relied heavily on Western published texts whose relevance on the local social situations is minimal.

The book has one major weakness in being rather descriptive in some areas where critical analysis was required. In discussing the socialising process of the media of mass communication nothing is said about the negative influence of foreign television programmes and films which tend to inculcate alien values in the African youth. Further, little is said about the failure of many of the African countries to decolonise education after independence and hence tending to reinforce the 'culture of dependency' in their programmes of the so-called political socialisation through education.

These flaws in the book do not negate its value as a standard text for the sociology of education course programmes in institutions of education in Africa. It is lucidly written with a significant African social base hence providing relevant reading material in a subject that has largely been dominated by foreign texts.

D N SIFUNA

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BOOK REVIEWS

The State and Rural Class Formation in Ghana. A Comparative Analysis

Piet Konings

London: KPI (Monographs from the African Studies Centre, Leiden). 1986. 391pp
£30.00

Those who keep up with the literature on modern Ghana will remember Piet Konings' fine study of the miners at the Ashanti Goldfields' workings at Obuasi, published in 1980. It is perhaps surprising to find him abandoning industry and industrial workers for the Ghanaian countryside in this important and timely study of the differential impact of state intervention in the agricultural sector on rural class formation.

Konings begins with a well-argued survey of the relevant literature on class and the state in West Africa. There are some odd omissions from this such as the work of Sara Berry, Dick Crook and Jane Guyer but he does provide a useful critical bibliography. The meat of the volume consists of three well-researched case studies of the very different economies of cocoa production in Ahafo, rice farming in Builsa and food production in the Upper Region.

Each of the studies is valuable in its own right but haunting all three is the spectre of ill-judged, inept and frequently virtually confiscatory rural policies which have enriched few and impoverished the majority of farmers. Disregarding the serious social disruption and human unhappiness that has attended these instances of rural planning, none appears to have improved production or efficiency in any palpable way and in the case of the rice projects has damaged the environment in an area of considerable ecological vulnerability.

Konings' general analysis is of great significance in these dark days. He questions the conclusions of those who argue for the introduction of more intensive capitalist farming schemes in order to bring about the all-important but so far lacking 'agricultural revolution'. But while he adopts some of Bates's argument for larger investment in peasant agriculture and a rise in farm-gate prices he is clear that the politics of distribution remain dominated by powerful private and group interests whose concerns militate against the creation of an economic environment in which peasants will find themselves sufficiently induced to increase their levels of production.

RICHARD RATHBONE
Harvard University

A Vision of Hope: The Churches and Change in Latin America

Trevor Beeson and Jenny Pearce

London: Fount Paperbacks. 1984. 290pp. £2.95

This is a valuable resource book, providing a political and economic overview of twelve of the twenty republics that make up the Latin American continent, as well as a short history of the development of the Christian churches in each of these countries. In the Preface the editors describe their main concern as being 'to describe the life and witness of the churches in Latin America through the eyes of Christians who have taken sides with the poor and given voice to the cry for justice and basic human rights' and to outline

the mission of the churches in the social, political and economic context of their times and places.

An Introduction deals with the continent as a whole; its history, its ethnic diversity, the impact of wars and colonialisation, its political and economic development, and the role of the churches.

Chapter 2, 'Mission in conflict', moves from the statement that 'historically, culturally, statistically, Christianity is everywhere visible in Latin America' to an analysis of the process which has brought it increasingly into the news in recent years. The situation of ferment and change began at least as early as 1968, when the Latin American Bishops' meeting at Medellín faced up to the situation of sinful inequality and oppression in which the majority lived and made their now famous 'option for the poor'. The Church, and not only the Catholic Church, renounced its long-held role as partner of the powerful and upholder of the status quo, and became the voice of the voiceless, standing with the poor and dispossessed of the continent in their struggle for justice and a radical change in the social and economic structures. This active presence of the churches in the world has political implications which have not been accepted by all sectors—many prefer to think of the church as a 'spiritual' entity, calling people to reflection on the next life rather than to commitment to bringing about in this life God's Kingdom of justice, love and peace. This involvement in life and experience has given birth to a new approach to theology—liberation theology—and the controversy surrounding this new way, which in its turn is born of a new way of being a Christian community, is now reverberating far beyond Latin American boundaries.

The following chapters on individual republics begin with Cuba, since 'An understanding of the Cuban experience is essential to any analysis of the processes of change and conflict in the rest of Latin America.' A political, social and economic overview is followed by a section on the churches, their witness to social change and the tensions and conflicts resulting from an increasingly challenging and confrontational stance by Christians. A final chapter gives information about British missionary involvement in the continent, and there is a list of useful contacts and a list of books for further reading.

The book has tackled an enormous task courageously and the historical perspective, analysis, and understanding of the role of the churches in Latin America owe much to the personal experience not only of the writers, Trevor Beeson and Jenny Pearce, but also that of the specialists who contributed background papers and advice.

PAMELA HUSSLY

*Catholic Institute of
International Relations,
London*

Nation against Nation. What Happened to the UN Dream and what the US Can Do about It

Thomas M Franck

Oxford: Oxford University Press. 1985. 334pp. £21.50

Neither non-Americans nor academics should be put off by the sub-title of this book.

Some of the issues it considers *do* reflect the fact that it has an American audience primarily in mind. Furthermore, the author's frequent references to the maintenance of enthusiasm for and optimism about the UN for up to two decades after its establishment ring very strangely in a European ear. Also the according of a knighthood to Mr Edward Heath is a sharp reminder of the book's extra-British origin. However, the author's treatment of his subject is very far from parochial, and the specifically prescriptive element in the book is negligible.

What Professor Franck provides is a knowledgeable, sophisticated, and well written survey of the UN's nature and its political ways—and it is certainly not just Americans who stand in need of education in this area. He emphasises that in essence the UN is a collectivity of states, each pursuing its own conception of its best interest. Accordingly, it is quite unrealistic to expect the Organisation to behave with judicial impartiality: the 'realistic analogy is not a court . . . but a bazaar, with its emphasis on price and trade' (p 245). However, it *is* appropriate for the analyst to note any glaring inconsistencies in behaviour at the UN, and the author is not afraid to speak up. He observes that in relation to the use of force neither superpower follows a principled approach; that on human rights many members are two-faced (and that Israel gets particularly unfair treatment in this area); and that India often behaves with a notable flexibility ('*Et Tu, Nehru*' is the title of one of his chapters). He draws attention to the 'lusty mixture of politicisation and patronage' (p 115) which goes into the staffing of the UN Secretariat (another chapter's heading is 'His Sisters, His Cousins, and His Aunts') and that the socialist states have made their Secretariat members into the 'unabashed agents of government' (p 104). In this connection the author, referring to his time on the staff of the UN Institute of Training and Research, says that his Soviet deputy reported to his country's mission to the UN 'at about 4 pm daily' (p 108). The UN's assessment system is said to have been manipulated by the majority of members in such a way as to reduce the original 'capacity to pay' principle 'to a near-fiction' (p 256).

However, in Franck's view there is very much another side to the UN picture. He notes the usefulness of the Organisation as a forum, and draws attention to the even-handedness of the General Assembly in condemning the aggressive use of force. He goes into some detail regarding the valuable 'autonomous activism' (p 116) of the Secretary-General, and it is worth underlining that he assesses the work of both Thant and Waldheim much more favourably than is usual. He thinks that the UN's most fruitful political work has been in the area of peace-keeping, and that the Security Council deserves praise for its role in this respect. So far as the United States is concerned, the author argues that it is just not true that the UN generally acts in a manner which is contrary to American interests. Accordingly the United States should not moan about the Organisation and think of leaving but instead follow 'a muscular strategy of staying in' (p 272).

For its combination of readability, scholarship, and sound judgement this book would stand out in any company. In view of the fact that writing on the UN often falls short on more than one of these counts, and all too frequently gets bogged down in constitutional detail or boring chronology, Franck's achievement is all the more notable. It is to be hoped that a paperback edition will soon follow.

ALAN JAMES
University of Keele

Third World Diplomats in Dialogue with the First World

Robert J Moore

London: Macmillan, in association with International Development Research Centre, Ottawa. 1985. 179pp. £20.00. £7.95pb

This is a very well written book which has many sensible things to say: if they are heeded it will have an important impact on the diplomatic activities of Third World states.

What the book is concerned with is neither the traditional bilateral work of diplomats nor their parliamentary role at large international conferences. Instead it looks at the ways in which Third World diplomats can assist in creating sympathetic groups at the non-official level in the states to which they are accredited. The context in which the material is presented is that international economic reconstruction is inevitable, and that the 'education' of people in the developed world will help it to come peacefully rather than painfully. This is asserted rather than argued, but whether or not it is regarded as analytically valid has no bearing on the value of the author's advice as to how Third World diplomats can best present their views and policies to the interested public.

For a start, says the author (a former High Commissioner for Guyana to Canada), diplomats should get away from the idea that they must follow a life-style which involves 'a dash of manner and a splash of funds' (p 19). Luxury must be cut out and the economic realities back home must find some reflection in diplomatic missions abroad. Entertainment cannot be dispensed with, but its organisation could be rationalised and its offerings more modest. Then the author goes on to consider how Third World diplomatic missions can most profitably use the local media, universities, and citizens' organisations. Throughout these chapters there is an emphasis on the need for cooperation between the states of the Third World, so that they can both improve the impact of their case and make best use of their limited resources. This approach also finds expression in the book's final chapter where the point that young diplomats need to be systematically trained is linked with the suggestion that some training schools could be established on a regional basis.

Much of what is urged in this book is the product of not much more than intelligent thought applied against a background of experience. But even the obvious often needs restating, and here the author is calling for a more disciplined approach to a relatively neglected area. Even senior diplomats should find the book a useful stimulus, and younger ones will benefit a lot from reading it. And the last sentence does not just refer to diplomats from the Third World. All states are nowadays anxious to cultivate the informed and also the more general public in foreign states. Accordingly, the book has a wider relevance than its title might suggest.

ALAN JAMES

University of Keele

The Political Environment of Economic Planning in Iran, 1971–1983: From Monarchy to Islamic Republic

Hossein Razavi and Firouz Vakil

Boulder, Colorado: Westview Press. 1984. 194pp. n/p

In seven concise chapters, authors Razavi and Vakil, who both served at the Plan and Budget Organisation (now Ministry) of Iran, offer insiders' knowledge of the operation of Iran's economy before and after the Revolution, focusing on the politics of planning.

The authors' description in Chapter 3 of the planning system reveals the technical problems and shortcomings: weak planning machinery; unsophisticated planning process; too few planners and too little data to ensure the degree of comprehensiveness so necessary to a good plan. The authors discuss the poor project evaluation process and argue that the entire issue of economic planning was a virtual formality for spending the allocations. There was also the lack of a mechanism to generate regional balance in development activities. The author's verdict on economic planning under the Pahlavi regime was that it was a 'futile formality with no positive impact on the management of the economy' (p 59). By the final years of the Fourth Plan, the economy had turned into a consumption-oriented, largely urban society with a rapidly growing deficit in the balance of payments (p 62). The authors also critically assess development priorities: the goal of creating employment ranked below that of economic growth and matters of social justice never received proper attention.

Chapter 4 treats the economic and political problems of the Pahlavi state. Here the authors describe the Tehran oil agreements and the oil price increase as 'an external shock to the national entity'. Problems were created by the Shah's dream of a great civilisation and his unrealistic attempt to build it as soon as possible. The description of the meetings in Ramsar and Gajereh in July 1974 to discuss revisions in the Fifth Plan makes for fascinating reading. Here we are told that despite rumblings from lower-level bureaucrats, economists, planners, and statisticians, the Shah and his ministers decided to do the utterly foolish: that is, to take advantage of the massive increase in oil revenue and raise sectoral allocations, greatly straining the economy's absorptive capacity. Planned inflation led to social problems. A series of policy mistakes, caused by the Shah's vision of Iran as the world's fifth industrial power by the turn of the century, was compounded by bottlenecks and led to an economic and eventually political crisis of the most serious proportions. Not least of the problems was the total disaffection of the bureaucracy, whose civil servants went on strike in late 1978.

Chapter 5, on the demise of the Shah and the establishment of the Islamic regime, is somewhat schematic. Chapter 6 deals with the future of planning of Iran; the authors' view of the Islamic Republic's economic future is optimistic. They point out that there is no Islamic economics as such, but that a mixed economy has been adopted, with some success. They also state that 'the initial design of the planning system is sound and feasible' (p 120). This might come as a surprise to the new political elite itself, whose planners have not been able to implement their first—Iran's sixth—national development plan. In the absence of a resolution of the question of property rights (whether the state or the market will be the dominant economic agency), in the absence of consensus within the regime as to the overall organisation of the economy (eg which sectors are to receive priority), and due to the continuation of the war with Iraq, planning has been at best *ad hoc*.

The expanded role of the public sector in the Iranian economy and the short- and medium-term irreversibility of this role makes it important to talk about planning in Iran. And because of the continued significance of state policy in Third World countries, the book's discussion of the problems and prospects of planning in Iran offers lessons of a wider relevance.

VALI MOGHADAM

New York University

Politics in Mexico

Edited by George Philip

London: Croom Helm. 1985. 223pp. £19.95

This is a useful collection of articles written for a conference in 1984. They deal with the immediate effects of the 1982 debt crisis in Mexico and attempt to assess probable future developments. The first three essays, by the *Financial Times* journalist, William Chislett, the ex-British Ambassador to Mexico, Norman Cox, and the editor, are careful and sensitive discussions of the interaction of the political and economic dimensions of the present crisis. Any brief summary runs the risk of doing injustice to the complexity of the arguments, and with a political system as Byzantine as the Mexican, political analysis is necessarily both difficult and complicated. Nevertheless, the effort must be made: the present Mexican government is caught on the horns of several thorny dilemmas and there is consequently little room for moderate reformism. While the authors are not unduly pessimistic about the future prospects for the Mexican political system, they do sound a note of warning and point out the difficult choices facing the government. Between pressures from the populist Left and the liberal Right, will the government be able to continue to steer a middle course? The system has survived challenges in the past, but in so doing it has made concessions and changed its own nature. The consensus among these authors is that moves by the present government are likely to lead in the direction of greater overt conflict in the system and an erosion of the old style of political control by local bosses. The exact nature of the emerging system will depend largely on whether the Right or the Left have more influence. Anyone who wishes to understand the present situation in Mexico would be well advised to look at these chapters. The remaining papers in the book involve more detailed treatments of a broad range of more specialist topics. This is not a book for the beginner: some initial knowledge of Mexico is advisable to give some context to the papers presented in this volume.

IAN ROXBOROUGH

London School of Economics and Political Science

Testing Democratic Theories in Korea

Sung M Pae

London: University Press of America. 1986. 300pp. \$27.50. \$14.50pb

As contemporary scholars of comparative politics admit, one of the most serious

weaknesses in the field of developing democracy in general and Korean politics in particular has been the virtual non-existence of a methodologically balanced book dealing with the dynamic social and political changes that have taken place in developing countries in the 1970s and 1980s. In this regard, the author certainly makes a great contribution to the field of political development and deserves high scholarly recognition.

Overall, it is an outstanding piece of work. This study examines the obstacles to democracy, the characteristics and tasks of democracy, the applicability of the major theories and the new integrated model of democracy to Korea through a careful analysis of thirty-eight years (1948–85) of the five consecutive Republics.

This work is impressive not only for the author's methodological skill but also for his theoretical achievements and the nature of its comprehensiveness. The author coherently organises the theories of democracy (five major theories) and tests them with numerous data with a special emphasis on public policies, programmes and various measures under different government structures and leadership which predict both stability and instability with respect to political development in Korea.

The author approaches issues and problems very systematically. The theoretical framework which he applies to specific problems and issues is carefully developed and very appropriate. He also writes in a cogent, coherent, and interesting fashion.

Pae's conclusion that 'each of the five theories is necessary but not sufficient to warrant a viable democracy in Korea' is a logical and reasonable one. His suggestion of an integrated model and its application to Korea to prove the viability of democracy in Korea is an excellent synthesis and advance upon the work that has been done in this area to date.

It is evident that the author has an attraction to empirical and behavioural questions and analyses. Unlike many, however, the author admirably manages to combine his intense interest in empirical analysis with the traditional study of political theory with an untiring commitment to the examination of developing democracy. Thus, one of the significant contributions the author has made in this work to the study of political development is the careful employment of both normative and empirical methodology, which will allow a broad spectrum of students and scholars alike to help understand confusing questions on developing democracy in general and Korean political evolution in particular. This book should be an excellent reference for both undergraduate and graduate studies, and an invaluable addition to library collections for major universities.

If this reviewer has any suggestion to the author regarding this book, they are mostly technical.

First, it may be helpful to have readers informed clearly of the advantages and disadvantages of the methodology employed for this study. The common question the author may encounter is 'Can democracy be quantitatively measured?'

Secondly, although briefly and sporadically mentioned, the importance of the role of the military in developing countries and Korean politics in particular needs more detailed analysis than it receives.

Thirdly, we know there is no universally accepted theory of political development. Many of the theories various scholars have drawn up overlap and share common features. The selection and testing of the five theories in this work is reasonable and justified. Some readers, however, may raise such questions as 'Why did the author test

only the five theories of democracy?" 'Are there any other relevant and viable theories to be tested?'

Fourthly, political development cannot be studied simply as a result of forces and decisions operating within the boundaries of a particular nation. The majority of the developing countries have a history of being influenced significantly by developments and/or pressures outside the country, over which they have little or no control. The impact of the downfall of Marcos in the Philippines on Korean political environment is an excellent example. Study of international environment as a source of factors influencing internal stability, development and decay generally has been neglected. The Korean case is not an exception. We may have to look into this area more seriously in the future.

Fifthly, in recent months, there have been some important changes in the political environment, especially since the recent election of the National Assembly, the emergence of a strong opposition party, the trend of uniting various opposition factions, the moderation of the position of the party in power towards opposition parties, and the radicalisation of student activities. Although it is extremely difficult for us to predict what development will be next at this juncture, it may be a good idea to touch on some of the most recent political developments in Korea in order for this book to be as current as it can be.

As a final note, writings on democracy in developing countries usually fall into two groups. Pessimists state that democracy is impossible in those areas because of the backwardness of the people, the imperatives of growth and stability. Optimists say that democracy is possible, but dwell mainly on its desirability, without meeting many of the arguments set out by the pessimists.

One of the strengths of this monograph is that the author comes to grips with the hard questions. He recognises the existence of the two approaches, provides a basis for a coordinated policy, treating the goals as complementary instead of being competitive. Because this work meets the hard questions, it can help those young intellectuals in the developing nations who want to believe democracy is possible. With the proposals in this monograph, would-be democrats can say that they are fully aware of the obstacles, and have reasonable suggestions for successfully overcoming them.

JOONG-GUN CHUNG

University of Nebraska at Omaha

Soviet Interests in the Third World

Edited by Roger Cassen

London: Sage (for RIIA). 1985. 329pp. £27.50. £10.50pb

If you are looking for a book that offers dramatic new insights into the study of Soviet policy in the Third World, then the book under review is not for you. However, if you want a well-reasoned and documented study of the motivations and current directions of Moscow's Third World policies then the Cassen collection may have what you are looking for. The sixteen chapters cover a wide spectrum of subjects in a careful and workmanlike fashion. The book complements other studies, such as Adeed and Karen

Dawisha's collection of essays on Soviet policy in the Middle East, rather than offering a new style of analysis.

What is most useful about this collection of articles, the product of a study group at the Royal Institute of International Affairs in London, is that it eschews, in the words of Peter Lyon in his piece on the Soviet Union and South Asia, studies of Soviet policy that are 'often only a diaphanously disguised form of demonology, according to which the Soviet Union is portrayed as a rapaciously expansionist power, seemingly immune from the constraints and inhibitions which usually check and limit the activities of even ideologically self-conscious actors on the world stage'. Rather, Cassen's collection embodies a more detached and calm form of analysis which takes into account Soviet capabilities and weaknesses and the motivations of Third World states. Only in a few places, such as in Jonathan Steele's generally admirable account of Soviet ties with Angola and Mozambique, does one feel that a little more weight should have been given to the motives and policies of Moscow's partners. In the case of the Steele chapter this minor fault is evident in the sections dealing with South African aggression against Angola and Mozambique. Steele says that faced with the local superiority of South African arms, 'the Soviet leadership was not willing to increase its stake'. However, Soviet arms supplies to Angola have kept pace with the threat to Angolan independence and with the Angolan armed forces' ability to use them effectively. The Angolan government has had at its disposal large quantities of arms and Cuban troops but has chosen to avoid the use of the latter in clashes with the South Africans in order to inhibit the opportunities for greater external intervention and to emphasise Angola's intention to maintain its independence and fight its own battles.

Of particular value in this collection are the contributions by Gerald Segal (Sino-Soviet relations in the Third World), Peter Lyon (South Asia), Sam Nolutshungu (Africa), Robin Luckham (Soviet arms supplies to Africa), Fred Halliday (South Yemen) and Jonathan Steele (Angola and Mozambique). The Segal chapter is particularly worth reading for its thorough analysis of Chinese policies as well as Soviet ones and his recognition of the lack of Third World support to China's 'splittist' and functionalist policies and the greater 'realism' of current Chinese policies, which are not dominated by confronting Soviet involvement in the Third World.

KEITH SOMERVILLE

London

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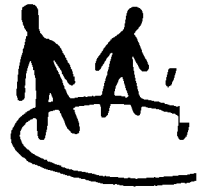
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some of these desiderata are not new, the three authors present very convincing arguments for the urgent need to implement them. Policymakers in both industrial and less developed countries should read carefully into these suggestions otherwise we may face the risk of gloomy forecasts becoming a reality.

From the fifth chapter on, the topic of integration becomes the focal point. This is introduced by an interesting paper by Juan Somavía, emphasising the importance of the political aspects of regional cooperation with particular reference to border disputes and democracy. It contains a list of the lines of action which could be taken by the Latin American countries to further the objective of achieving internal and international peace in the region.

The following chapters concentrate on the economic aspects of regional integration with particular reference to several case studies evaluating the results of the CACM, CARICOM, and the Andean Pact in increasing the trade flows among themselves. These are preceded by a general discussion by José Antonio Ocampo and a précis by Dragoslav Avramovic on the causes of the recent collapse of intra-Latin American trade.

Ocampo's article is a most interesting piece. It deals with the financial aspects of intra-regional trade and examines closely what can be considered the most important obstacle at present to increasing trade between the Latin American countries: the system of payments. Ocampo makes the point that intra-regional trade disequilibria have forced deficit countries to reduce their imports from LAIA (Latin American Integration Association) countries. Ocampo analyses the LAIA payments agreement (based on reciprocal lines of credit and multilateral compensation agreements) and attributes the decline of trade flows among Latin American countries to the inadequacy of the available lines of credit, which around 1980 led some countries to operate outside the agreement. This problem was further aggravated in 1982, when the system of coverage was drastically reduced due to the withdrawal of several countries of their debtor balances from multilateral compensation. The chapter concludes by offering several lines of action for reforming the payments system.

However varied the topics dealt with and the variety of opinions expressed throughout the book there were a number of recurrent views and a certain homogeneity in the style of argumentation of several of the authors. For instance: on the diagnosis of the current economic situation and the causes of its steady deterioration; on the desirability of policies geared towards redistribution of income and more autonomous development in Latin America and economic expansion and less trade protectionism in the industrial countries; on the urgency of reforming multilateral lending agencies; and, on the need for the Latin American countries to act more in concert. Even the language used by some of the authors is strikingly similar: 'financial permissibility', 'external vulnerability' of Latin America and its 'insertion' in the international system, not to mention the obvious 'centre' and 'periphery'.

charges of enriching himself at the state's expense was perhaps best reflected by General Ali Said, chairman of the Supreme Court, who asserted that 'Indonesians who don't feel insulted by a recent article in an Australian newspaper on the alleged business dealings by President Suharto's family should relinquish their citizenship'.⁷

The economy in crisis

The oil boom which has carried the Suharto regime forward so successfully throughout the past decade has now collapsed and bleak predictions are being made about the future. The World Bank's 1986 Report on the Indonesian economy, produced in June, forecast less than 2 per cent annual GDP growth for the next two years while Western embassy sources predicted that GDP would decline by as much as 3 per cent this year.⁸

Oil and natural gas have accounted for about 70 per cent of Indonesia's foreign exchange earnings and about 65 per cent of state revenue. The 1986 budget announced in January this year cut overall state expenditure by 7 per cent with a drastic curb of 22 per cent in the outlay on development projects. Moreover, the budget was soon shown to be out of touch with reality because it assumed that world oil prices would level out at \$25 a barrel, whereas within three months, prices had dropped to around \$13 a barrel. Attempts to boost non-oil exports to reduce the country's reliance on oil have been a major part of government policy for more than a year, but the results have been negligible.

In an economy where the state controls such a huge proportion of economic activity, cutbacks on the scale planned in the 1986 budget affect the fortunes of many businesses that have lived for years on government contracts. The decline in development projects provided for in the budget led commentators to warn in January that some 13,000 small and medium-sized contractors would be forced out of business by the retrenchment.

Foreign investors have shied away from Indonesia, discouraged by a cumbersome and corrupt bureaucracy. The level of investment in 1985 was less than half that of the previous year. Much of the criticism levelled at Indonesian economic management by the World Bank and

⁷ *Jakarta Post*, 23 May 1986.

⁸ *Financial Times* (London) 7 June 1986.

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countries, including France, Italy and Switzerland, felt that the proposal was ill-advised, in that it might have the effect of removing competent international civil servants, solely in order to preclude the re-election of M'Bow.¹¹

▲ General Assembly (UNGA)

Special Session on the Critical Economic Situation in Africa

New York, 27-31 May 1986

■ The General Assembly's special session on Africa, the first to concentrate on the problems of a single region, was attended by representatives of the UN's 159 member-countries, including twenty-two ministers. Also present was President Abdou Diouf of Senegal, current Chairman of the Organisation of African Unity (OAU), which had initially requested the session in July 1985. At its conclusion, the session adopted the UN Programme of Action for African Economic Recovery and Development 1986-90, closely based on the OAU's own African Priority Programme for Economic Recovery 1986-90 (APPER).

Present Diouf presented the session with a report formulated by the OAU and the UN Economic Commission for Africa (ECA) in a series of meetings. After analysing the present crisis and future prospects of Africa, the report presented the APPER, first adopted by the OAU Summit in Addis Ababa in July 1986,¹² as the basis for a collective African effort towards self-reliance. According to the report, rising population, declining per capita agricultural production, falling commodity prices, ecological damage, external debt, domestic policy shortcomings, conflicts and natural disasters combined to create a crisis in Africa far beyond the scope of the present prolonged drought. The priority projects proposed in the APPER required a total of \$128bn over the next five years, including \$57bn for agriculture and \$60bn in related support of agricultural development. Of the total, \$82bn, or around 70 per cent, had already been pledged by African countries, leaving a target for international assistance of \$46bn, or an annual average of \$9bn over the period of the programme.¹³ In presenting the report, President Diouf described agriculture as the 'priority of priorities' for Africa, a fact recognised in the APPER. He said the emphasis of the programme was on the mobilisation of domestic resources within Africa, and the improved use of external assistance. The 30 per cent of the total, requested from the international community, was needed as a complement to Africa's internal efforts to achieve self-sufficiency. President Diouf also spoke of the need to improve Africa's economic environment by stabilising commodity prices at remunerative levels, increasing the flow of concessional resources to the continent, and alleviating Africa's burden of external debt service, estimated at an annual average of between \$14bn and \$25bn over the next five years.

The response of the major industrialised countries was both enthusiastic and dismissive, with countries such as the US, Britain, France, West Germany and Japan praising the document's tendency towards self-criticism, and the African governments' tendency to indict their past obsessions with urbanisation and expensive industrialisation projects at the expense of agricultural development, and inefficient state bureaucracy. They also welcomed the emphasis, echoed in many of their own speeches at the session, on self-reliance, and the concessions made to the philosophy of free markets and private enterprise. They refused, however, to

him, the PMDB, as main authors of the Plan, and the PFL, who largely make up his ministry. He has turned the government of the 'New Republic' to the right and bet all on a single card. The momentum of the Plan should last until the November elections, and should pay off in terms of the structure and character of the Constituent Assembly: but then? Already, as noted above, there are "enemies of the Plan". Already there is worry about inflation, the deficit, and about the long-term ability of the government to impose upon Brazil the rigour, discipline and control which are needed to make the Plan work.¹⁷⁰ The *fiscals do Sarney* cannot easily prevent manufacturers from producing 'new' lines, only slightly modified, but at substantially higher prices. The over-heated economy already is causing concern: will the short, sharp shock peter out, or be modified and qualified out of existence?

If the Cruzado Plan comes to grief, Sarney has no party to which to turn for support, and the politicians, who today applaud, will run for cover. The people, the *fiscals do Sarney*, will find prices rising again, and the right, now riding high, and strong in government, will be discredited. And the left? One of the best-informed and most perceptive of Brazilian journalists, in a recent interview, drew an analogy, appropriately enough in Brazil, from football. There may be disagreement and differences among players. Sometimes they may even send a rival a curling ball to confuse him, but, when goals have to be scored, when the need is acute, they will pass the ball to the player who can be guaranteed to score those goals. For the left in Brazil, at present, when the game becomes serious, the leading goal-scorer is still Brizola.

¹⁷⁰ See 'A síndrome do austral' ('The Austral Syndrome'), *Senhor*, 27 May 1986, pp 30-2. Also *Veja*, 6 June 1986, pp 126-7.

structures which spawn hunger and poverty and inequality in all spheres?

KINNOCK: I take the view, and you quoted Nye Bevan, that liberty is a by-product of economic sufficiency, and the first battle to be fought is one for attaining the rudimentary level of economic sufficiency out of which can come the self-confidence and independence of spirit that is essential to the operation of democracy. Now the effect of those in government who are trying their best and those working for the community (I think they go beyond the definition of social workers, incidentally; I think that their commitment is much broader than that) is to stimulate that confidence, that independence amongst people who can gain their own living. And after, say, half a generation or a generation they can be much more assertive about their rights and expectations than they can be if they are living at the level of total destitution. It's a very big problem and it will take a long time; I couldn't possibly exaggerate how long and how complex the solution of this problem will be. There are only two reactions that are possible in these circumstances. One is to give up the struggle and to surrender to what appears to be inevitability; one can claim all kinds of justification for such a course of action—sentimental, 'realistic'—but the reality of the matter is that no one is actually helped. The other alternative is to realise that one has to start somewhere. And starts have already been made so that we can actually commit our strength and energy to those starts. Giving up is not a serious alternative.

AG: *Do you now feel encouraged to commit resources of aid or grant to that kind of a situation? That the assistance you might provide would be well utilised, and it would not be so much money down the drain as some experts suggest?*

KINNOCK: No, I don't think it would be money down the drain. The intelligent thing to do, and I don't say this in any patronising sense, for we don't want a new colonialism, is that there are people there in their hundreds of thousands, in their millions in India, some of whom are professionally engaged, others who could be counted as being among the recipients of aid, who are capable of identifying the areas in which investment would produce its best return for the people at which it is aimed. Unless we rely on their judgement and their